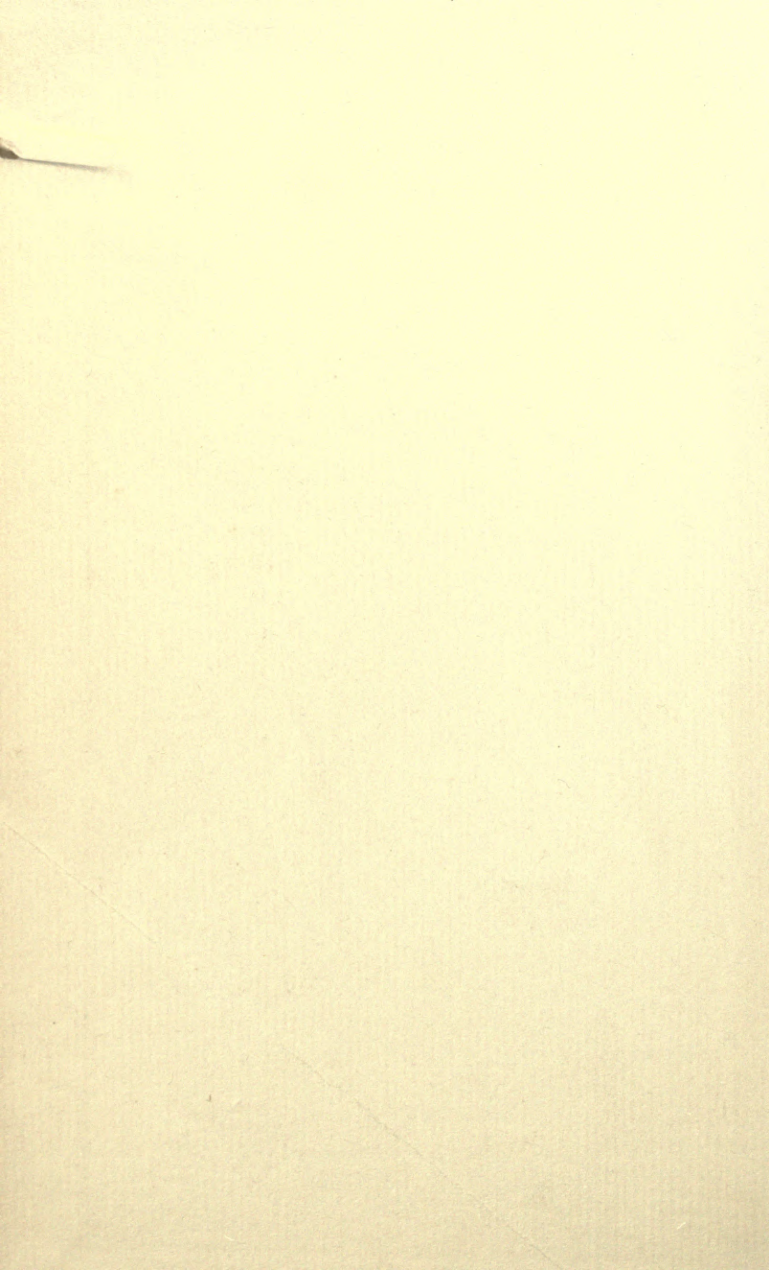


THE
OTHER
SIDE

WEEKS

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THE OTHER SIDE

A BRIEF ACCOUNT OF THE DEVELOPMENT OF
INDUSTRIAL ORGANIZATIONS IN THE UNITED
STATES AND A STUDY OF THE ADVANTAGES
THAT CAPITAL, LABOR AND THE CONSUMING
PUBLIC DERIVE FROM THEM

BY

LYMAN HORACE WEEKS

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PREFACE

Ten years ago a large majority, even of intelligent people, regarded with undisguised apprehension the growing tendency of capital to combine in large corporations. All trusts were declared to be monopolies that threatened the industrial freedom of the masses, the economical living of the community and the stability of republican institutions.

Nothing but evil could be discerned in these new forms of capitalistic enterprise. They were vigorously denounced on every hand. Pulpit and platform, newspaper and magazine vied with each other in condemning "the octopus," as the trust came to be termed. That speaker or that writer could be most sure of winning the public applause who could most forcibly inveigh against trusts and monopolies and the evils that were predicted of them. Scarcely a good word was anywhere said for the trust. Only here and there was a voice raised in its defense, and most often was that the voice of some paid advocate.

In less than ten years the attitude of the public in this matter has undergone a very substantial change. As the end-of-the-century industrial movement has been calmly studied it has gradually received fair recognition as an economic force of undoubted vitality and value; as something to be reckoned with intelligently and hopefully. The day of its denunciation has passed.

Wholesale abuse is now bestowed upon it only by demagogues for political effect, or by a few superficial thinkers and speakers.

The most strenuous anti-trust advocates no longer demand that the trust shall be destroyed. That line of argument has been altogether abandoned. Instead, it is argued that these great aggregations of capital need only to be controlled in some way to the profit alike of their share owners and the general public. The significant and astonishing thing in connection with the Chicago Conference on Trusts in September, 1899, was the manifestation of this change in public opinion. Men from all walks of life, statesmen, politicians, publicists, doctrinaires, professors, lawyers, business managers, millionaires and workingmen appeared on that platform in substantial accord. Only a small minority were there to unreservedly condemn.

In the following pages the situation is presented as it now stands in the light of the best thought of the day. The volume is not an argument, nor a brief. It simply sets forth the theories and plain facts now generally accepted regarding these combinations of capital and the economic questions arising from them. It discusses the rise and development of the trust idea out of natural conditions that insure its permanence and its value as a factor in industrial progress, and aims to bring into stronger light the advantages that accrue to the public, the workingman and the investor from this readjustment of capital.

That the volume may contribute to a better understanding of this all-absorbing problem is the earnest hope of the author. Its purpose will be fully accomplished if it shall succeed in showing that the discussion of the question belongs to the domain of rational philosophical consideration, and not to the field of acrimonious, prejudiced dispute.

LYMAN HORACE WEEKS.

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AN ECONOMIC EVOLUTION

COMBINATIONS OF SEGREGATED CAPITAL INTO LARGE SINGLE CORPORATIONS A NOTABLE RESULT OF THE NINETEENTH CENTURY TENDENCY TOWARD CENTRALIZATION AS EXHIBITED IN ALL FORMS OF HUMAN ACTIVITY

An Era of
Combinations

An industrial and commercial revolution has made notable the closing years of the nineteenth century. Under the influence of steam, electricity and machinery, and in response to the demands of a progressive and exacting civilization this has become an era of combinations in the field of capital as well as in that of labor.

Everything, in every department of human endeavor, is now done on a large scale. Centralization has long been an accomplished fact in national and social life. Witness the establishment of the American colonies into the Republic of the United States, and the unification of the German and Italian kingdoms and principalities into two great nations. Observe how population has steadily drifted away from the segregated existence of the country to the upbuilding of cities. Finally the same influence has laid hold upon business. Capital has concentrated. In place of the hundreds of small business concerns and corporations, we have the big aggregations of capital, employing armies of helpers, and ministering to the needs, not of small and widely separated localities, but to States and nations.

**A Radical Change
in Business
Methods**

The phenomenon is world-wide wherever modern industry has succeeded in establishing a foothold. In Great Britain, in France, and in Germany, the leading manufacturing countries of Europe, it is only less conspicuous than in the United States. Nothing like it has ever been known. It is more than a mere casual happening of the moment or an uncertain experiment. In extent and in power and in far-reaching possibilities, it exceeds in importance any and every movement that has heretofore marked the progress of the industrial world. It is the passing of the old ways and the beginning of a new era. Just as the invention of machinery revolutionized all crafts, so the new methods of utilizing capital will revolutionize production and distribution and start the world anew upon a more wonderful industrial career than it has ever before enjoyed.

**Vital Importance
of the Trust
Problem**

In the United States particularly, this centralization of capital has assumed gigantic proportions. For nearly a quarter of a century the process has been gradually going on, and in the last ten years it has advanced with an irresistible force that has astounded everybody, even those engaged in it, and excited the fears of the timid. The illimitable resources of this country, its manufacturing supremacy, and the surpassing energy and enterprise of the American people, whether capitalists or laborers, have made this the most inviting and the most satisfying field for the exploitation of these marvelous end-of-the-century business enterprises.

The trust problem, as it is called, now challenges the attention of the entire country. It is one of the foremost topics of discussion in newspapers and maga-

zines. Congress and legislatures have investigated and enacted laws concerning it. Professors of political economy write learnedly about it. Political parties have made it an issue, and platform, pulpit and stump echo in its praise or in its denunciation.

Trust an Irrelevant Term In the consideration of this all-engrossing subject, the candid investigator finds it necessary at the outset to freshly define and to classify trusts. This is more difficult than appears at first thought. For years the word "trust" has been indiscriminately and loosely used, both by the friends and the opponents of the thing itself. It has been made to stand for almost everything in the way of business enterprise. A quarter of a million incorporation of a retail dry goods establishment; a big railroad corporation, a gas company, a consolidation of two or three score manufacturing concerns into one large company; pools, corners, agreements, and so on; all these and others of similar and dissimilar character have been unhesitatingly grouped under this one head.

First as to the meaning of the word. It is really a misnomer. In the strict sense, it is no longer pertinent as a descriptive appellation of large corporations, although at one time it was rightly so used. When the present movement toward consolidation began, these organizations were actually put in the form of trusts, properly so called. The associated corporations placed their stock, with its voting power, in the hands of a trustee or trustees; and so, while the different corporations retained their separate legal existence, they became subject to a single, central control. Such was the original Standard Oil Trust. But it soon appeared that arrangements of this character were plainly com-

binations in restraint of trade and easily reached under the laws. Hence they were abandoned and have been replaced by great single corporations, and these for want of a better name we continue, quite inappropriately, to call trusts.

Real Significance of the Trust Idea As a matter of actual fact, there never were more than half a dozen real trusts, and now there are none. The thing itself has disappeared, but the name has survived and will probably always cling to the big consolidated corporations that have been evolved out of the original trust idea.

At the same time, in a larger and more wholesome sense, the latter-day corporations are rightly called trusts. They hold in trust the invested capital of thousands of stockholders; they are trustees of commercial enterprise and probity, of the welfare of vast armies of employees and of the interests of the consuming public. Burdens and duties rest upon them that were unknown to the smaller individual firms and corporations that they absorbed. So far as they are faithful to their new responsibilities so far will they be successful. They cannot escape the ethical consequences of their conduct of affairs by hiding behind the purely commercial and material.

Trust Rightly Defined and Explained There are nearly as many definitions of the word "trust," as it is now in vogue, as there are minds to consider it. Beyond its general usage to include all considerable enterprises of associated capital there is little agreement regarding its exact sense and proper application. When it comes to details and limitations there is an infinitude of divergent opinion. As clear and concise a definition as has appeared is that which was recently given in the columns of the New York Independent, by John D.

Archbold, of the Standard Oil Company. This was as follows: "Trusts are large aggregations of capital for the purpose of carrying on industries. How large the aggregation must be to constitute a trust no one knows, nor is it material, since the effects of aggregation of capital are the same, be the amount small or large." This definition has the virtues of simplicity and calmness. What is also particularly good about it is that it does not go into argument. Most frequently those who attempt to define trusts, make their explanations arguments in favor of or against the idea, according to their personal bias.

A good detailed explanation of the character of trusts comes from John M. Stahl, secretary of the Farmers' National Congress. At the Conference on Trusts of the Civic Federation of Chicago, he said:

**A Phase of
Industrial
Development**

"Trusts are the latest devices for doing things in a large way. They are the latest advance in a steady, persistent movement

that has dominated the industrial development of the past one hundred years; that has gathered the isolated workers with tools, working alone, into shops, and then has brought a score of shops into a factory, and has then combined factories. While thus developing the factory system until the result has been well termed an industrial revolution, it has none the less worked a similar revolution in merchandising, in transportation, and in yet other lines of human activity; always resistlessly absorbing and combining to put more men and greater means under the control and direction of the masterful brain that has reached the place it occupies by a civil service indisputably based on merit; truly a 'natural selection' in industry, always having for

its object doing things in a larger way, because it is constantly proved that this is doing things in a more economical way (whether, all things considered, it is the best way, I cannot discuss here). Hence the trust is a logical phenomenon in this industrial development."

**Trusts and
Monopolies Con-
fused Terms**

Taking the foregoing definition and explanation as eminently satisfactory, he who intends or hopes to come to any exact conclusions on this subject must, before proceeding further, settle one thing clearly in his mind. The distinction that exists between trusts and monopolies must be sharply and absolutely expressed in the most unmistakable terms. Generally speaking, this is rarely if ever done. In common estimation, trust and monopoly are regarded as one and the same in character and purpose, and similarly to be dealt with. In fact, it would be a fairer way to put it to say that trusts are looked upon as being, from their very nature, irremediably monopolistic; that there are no monopolies that are not trusts and no trusts that are not monopolies.

It is not surprising that the average individual should be led into this confusion, since even students have fallen into a like misunderstanding, while anti-trust agitators have persistently fostered the erroneous idea. Byron N. Holt, of the New England Free Trade League, is recognized as one of the most conspicuous opponents of trusts. In the World Almanac for 1900, he says: "Trust, as popularly understood, means a consolidation, combine, pool or agreement of two or more naturally competing concerns which establishes a limited monopoly with power to fix prices or rates in any industry or group of industries." That perhaps is as fair a statement of the popular misapprehension as

could be made. Under such a definition it is possible to include nearly everything in the line of organized capital that any extremist might desire.

Most speakers and writers on this subject have shown a disposition to group nearly all concrete movements of capital under this one head without taking the trouble to differentiate them. Essays and books have borne such titles as "Monopolies and Trusts," "Trusts, Pools and Corners," "Syndicates, Trusts and Corners," and the like. Even those who have discoursed under the simple title of "Trusts" have included therein pools, syndicates, corners, railway corporations and all the vast array of speculative enterprises of various sorts and monopolistic corporations without end.

Natural Monop-
olies and the
Properties Per-
taining to Them

There are monopolies and there are trusts. In a class entirely by themselves should be placed such natural monopolies as railroads, street railways, gas companies, electric light companies, and other corporations of like character. The existence and prosperity of these institutions are based upon special privileges granted by city, State or nation, and in a large sense they have public duties to perform.

Corporations of this description are nothing new. They have been part and parcel of our civic life for more than half a century. To a considerable extent, they are under government control and their semi-public character is fully recognized. They are nowise to be classed as trusts, because certain rights and duties assigned to them are quite without the province of other industrial organizations not engaged in public utilities and specially determine their character. Mr.

Holt, who has just been quoted, says that these natural monopolies "are not to be classed as trusts because they are not composed of naturally competing concerns."

Strongest Competition Between Natural Monopolies The absurdity of this reasoning must be apparent to any one who is even superficially acquainted with the history of railroad, gas, electric light and power, street railway and telephone consolidations of the last dozen years. Between organizations of that kind competition has been fiercer and more disastrous than was ever known between the so-called "naturally competing" producing industries. Look at the gas war in New York that in 1899 brought the price of gas down to sixty-five cents per thousand feet; look at the competition of gas companies in Boston, Chicago and other cities; look at the rate cutting that has driven so many railroads into bankruptcy and finally into absorption by other corporations; look at the competition between street railways in New York, Boston and elsewhere that has irresistibly forced consolidation under a single management to the infinite advantage of invested interests and the public at large. The natural monopolies certainly possess privileges that establish them in a class by themselves, but immunity from competition is not one of their prerogatives.

Trusts Pure and Simple It is not the purpose of this volume to discuss industrial organizations that come under the head of natural monopolies. That would inevitably lead to a consideration of government and municipal ownership which is already agitated as a remedy for evils that are held by many to be inherent of private undertakings of this character.

The mere suggestion of public ownership in this connection reveals at once the profound difference between these semi-public corporations that serve communities and the business concerns engaged in producing and in supplying the needs of individuals. No one, save perhaps the extreme socialist, has yet gone so far as to argue that the government should acquire and control oil wells, sugar refineries, tanneries, paper mills, potteries, flour mills, distilleries and rubber factories. These aggregations of capital stand in a class by themselves, entirely distinct from all others. They are the outgrowth of altogether different conditions, and have been developed amid different surroundings and from different causes. They are working out industrial problems, particularly those that affect the relations of capital and labor, in a way peculiar to themselves.

Organizations of this kind are the real trusts, using the term now in its commonly accepted sense. They constitute such an entirely new form of industrial activity that railroads and the like are seen to be wholly unrelated to them, although all in a measure act and counteract upon each other. Exclusively to their consideration are these pages devoted.

**Capitalization a
Product of Indus-
trial Progress**

Evolution is ceaselessly, untiringly at work in nature, in civilization, in national development, in every branch of human endeavor. Just now its wonderful manifestations are most conspicuous in the world of capital. To a superficial or hasty observer, this latter-day phenomenon appears to be something entirely new. It is not that, however. It is simply the display in another direction of agencies that have always been at work from the be-

ginning of creation. Step by step the movement has been for ages toward increase in organized force. The evolution has carried us rapidly through multifarious forms of progress until now we are confronted with vast developments that have come by natural process from social, economic and industrial tendencies.

**Ancient Origin
of Corporations**

As far back in the history of the world as the time of the ancient Greeks and Romans, corporations and combinations of capital were plentiful. Under the early Roman law corporations could be formed at the will of the promoters without any special State authorization. When the Empire came in, the Emperors asserted their right to grant or refuse the privilege of incorporation, according as they might deem it to their advantage, or to the welfare of the State.

In the Epistles of Pliny an incident is related that shows how corporations were even then sometimes looked upon askance. Pliny tells the story of his experience with the Emperor Trajan, to whom he suggested that a company of firemen might be organized. "I will take care," he added, "that none but those of that business shall be admitted into it, and that the privileges granted them shall not be applied to any other purpose. As this incorporated body will be restricted to so small a number of members, it will be easy to keep them under regulations." The Emperor, declining to grant the permission, added: "Whatever name we give to them, and for whatever purposes they may be founded, they will not fail to found themselves into factious assemblies, however short their meetings may be."

As for combinations in the iron trade, we have a

record of one which was established more than two thousand years ago, for Aristotle tells us that "there was a man in Syracuse, in the days of Dionysius the Tyrant, who bought all the iron in the island of Sicily and was able to sell it at such prices as he pleased, and thereby made large profits. When Dionysius the Tyrant heard of this he was pleased with the ingenuity of the man, and told him that he might keep his money, but had better leave Syracuse."

English law in respect to corporations was fashioned by these ancient impressions when taking civil instead of ecclesiastical form. Then followed the organization of guilds in trade and commerce and universities. To a great extent, in these times of combinations and trust organization, the corporation has taken on the idea wholly of corporate personality. This is in complete distinction from the early usage when the idea of public utility alone prevailed.

More than a century ago Blackstone said: "When it is for the advantage of the public to have any particular rights kept on foot and continued, to construct artificial persons, who may maintain a perpetual succession and enjoy a kind of legal immortality," the law authorizing corporation seems necessary and proper. Note that he predicated the need of this form of organization "for the advantage of the public." In early times, and indeed until recent years in this country, the idea and principle of advantage to the public was the purpose of law in authorizing corporations, and also was the measure of their limitations.

From Individual
Labor to
Partnerships

English industrial conditions were the precursors of those in the United States. Originally in the old country every individual

worked or did business independently for himself. This continued during what have been termed the home period, the guild period, and the domestic period. Laboring and merchandising were then in the most primitive state. Gradually, however, as the demands of industry increased and broadened, productive enterprise was compelled to concentrate. Capital appeared and gave employment to workers, and so the employing and employed classes were developed. Larger enterprises of manufacturing, mining and commerce called for the association of capital in order to carry on business to the best advantage. Partnerships became common, and to some extent corporations early succeeded the partnership form of doing business. This, briefly put, was the condition of affairs in England down to the beginning of the eighteenth century. The wage system became common and the way was opened for its complete development on strictly competitive lines, just as soon as the approaching factory system should render such development necessary to the greatest success of the employer and the greatest advantage of the employee.

**Developing of
American
Manufactures**

In the United States industrial development began slowly. It was retarded by the conditions relating to the settlement and subjugation of a new country, and by adverse English legislation that, until the beginning of our national existence, aimed to repress all colonial manufacturing. When, however, national independence gave a stimulus to national enterprise, all forms of industry went forward with giant strides. In less than half a century we were rivaling the mother country in the diversity and the importance of our manufacturing activities.

With us, both theory and practice were at the outset opposed to the corporate method of doing business. Individualism was the foundation upon which the fathers of the republic built the political, social and industrial structure. The *laissez faire* or let-alone theory was dominant in the world then, and the founders of the republic were influenced by it. In the first half of the present century the physiocratic principles permeated all American life. A belief in the blessings of a minimum of government and a disinclination for the interference of society with the sphere of the individual was more widely diffused than in any other country. Absolute free competition in all industry was a fundamental doctrine of national faith.

**Beginnings of
Modern Industry** During the last three-quarters of a century industry has made marvelous progress throughout the civilized world. In this onward march the United States have held a leading and conspicuous place. We have been notably a nation of wealth producers and distributors. Our history is a record of masterly effort to wring from the strongholds of nature the material gains that have enriched us. Inventive genius has lightened the labor of hands and at the same time increased production and consumption to almost fabulous figures. Business sagacity and enterprise have developed commercial organization into a powerful machine to co-operate with labor and invention for the general good.

The factory system that was to revolutionize the labor activities of mankind, began to exercise its influence in England as early as 1730, when Watts' roller spinning was introduced. It gradually expanded through successive inventions of Hargreaves, Ark-

wright, Crompton and Cartwright, until it reached its fruition in cotton manufacturing in the throstle and the Bullough power loom of the middle of the nineteenth century. The impetus that was given by cotton manufacturing was followed in other branches of textile industry. In contemporaneous times these have been altogether surpassed by discoveries and inventions almost infinite in number. Coal and iron, gold, silver and copper mines, gas, electricity and transportation have given a scope, a power, and a value to man's labor that the wildest imaginations of a half century ago did not even suggest.

**From Hand Labor
to Factory** Fifty years ago, the mother of the household took a week to knit a pair of stockings, and the labor cost put into them was not more than a few cents. Fifty years ago hand looms were used to weave cloth in every farmhouse throughout the country. Wool was carded at home, rag carpets, homemade, covered the floors. Farmers mowed their fields with scythes, the blacksmith forged the horseshoes for the village, the seamstress made the clothes that the girls and boys wore, and everybody depended upon the shoemaker for footwear.

All that is changed now. Machinery and factories have superseded individual labor. Our knit goods, our shirts, indeed all things we wear, have gone into the factory to be made because they can be made better and cheaper than they ever could be by individual workers. The mowing machine, the reaper, the raker and binder enable one or two men to do the work of twenty.

With the abandonment of the spinning wheel and the knitting needle by our grandmothers began the

end of the individual in industry, and the beginning of that onward march of combination that we see in its fullest expression to-day in the form of trusts. Cartwright's power loom gives employment to half a million people in the United States, and their wages amount to one hundred and sixty million dollars per year. Whitney's cotton gin enables us to put on the market every year two hundred and fifty million dollars' worth of cotton goods at a price which makes clothing plentiful and cheap, but still gives employment to hundreds of thousands at good wages and brings to capital a fair return.

**Corporate Power
a Necessity to
Changed Business
Conditions** From out of these inevitable conditions arose the corporation. When the factory came, the foundry and the great manufacturing establishments, ever growing bigger and bigger in response to the ever-increasing demand of the consuming public, it was no longer possible for the individual worker to meet the situation. The formation of industrial armies followed as a matter of course. Factories must needs be stocked with expensive machinery, and much of it. Large monthly pay rolls must be provided for. Selling distributed over extensive territories became expensive. Long credits were also soon an essential feature of successful trading.

Few individuals could hope to do business singly under the changed order of things. Larger capital was required than any one man could control. Partnerships were for a time efficacious to a certain extent. In a rather limited way they even now exist, but not in the great industries. The undertakings of modern productive enterprise are of such magnitude that antiquated forms of business machinery are wholly insufficient to the demands made upon them.

**Early Opposition
to Corporations**

The corporation in its first days was not in favor in England, and the feeling against it found frequent expression in the common law. The people then were as much alarmed at this phase of business activity as they are now concerned over the appearance of the big corporations that are naturally succeeding their smaller predecessors. It was not that the corporation idea was new, but it was suddenly developed as never before and awful things were predicted of it. Many conservative men sought to allay the public fear by soothing argument. Among others came Adam Smith, the great political economist, who declared that corporations could never do much harm because only a few simple routine branches of business could possibly be carried on by them, inasmuch as people would not work for corporations as they would work for themselves. In the United States similar hostility to corporations was exhibited even down to the middle of the nineteenth century.

Nevertheless, the corporation had to come whether the people fancied it or not. The individual capitalist was powerless face to face with exigencies beyond his control. The association of a few individuals in a partnership was better, but was still inadequate. The consolidation of capital in a corporation was the only form of business organization equal to the situation, and it became the dominant power in the industrial world. A few of the old forms of business exist as staid relics of the past, but the fact that even the most indifferent schemes now seek incorporation is a significant evidence of the spirit of the age.

The small corporation has had its day. Like the individual and the partnership, it has done its work, and has done it well all over the world. Especially in

**From Corpora-
tions to the
Amalgamation
of Corporations**

the United States it has been a potent factor in bringing about a marvelous prosperity. It has safeguarded the interests of capital, promoted the welfare of labor, and added to the comfort and welfare of the entire people.

But the small corporation is no longer a thing to be reckoned with seriously. It will always remain, but for large enterprises, it has been superseded by those great aggregations of capital that for want of a better term we call trusts. These combinations are, after all, only corporations on a large scale, and it is interesting to note that the corporation still remains dominant, changed only in size, and not in form. It is the highest development of the centralization idea, manifested in capital and industry.

**Genesis of Com-
binations of
Capital**

It is not difficult to discover the causes that have led to these combinations. Most people, perhaps, look upon them as the out-

come of the pernicious activity of promoters seeking to enhance their profits at the expense of the public. On the contrary, they often have been the products of business adversity, not of prosperity. Not infrequently, indeed, they have risen out of bankruptcy. The operators who have been interested in them have not altogether been the free managers of their own affairs. Compassed about by conditions that they could not wholly control, they have found it necessary to yield to the inexorable trend of events. To a considerable extent they have been powerless to withstand the workings of the irresistible economic law that has operated to bring about the consolidation of capital and of labor.

So long as individual establishments are prosperous,

earning good profits on their capital, you hear no talk of combination. Every owner prefers to be independent, and does not sacrifice his business personality until he is compelled to. It is only when competition has become ruinous, and when prices of his product are reduced to figures that are often on the losing side, that he is willing to yield to the inevitable and sink himself and his establishment in a trust.

**How Business
Adversity Leads
to the Organiza-
tion of a Trust**

Some years ago, in an article in the *North American Review*, Andrew Carnegie explained the causes that conduce to the formation of trusts. His explicit statement is quite as applicable now as it was then. As he puts it, demand exists for a certain article beyond the capacity of existing works to supply it. Prices are high and profits tempting. Every manufacturer of that article immediately proceeds to enlarge his works and increase their producing power. In addition to this, the unusual profits attract the attention of his managers or those who are interested to a greater or less degree in the factory. These communicate the knowledge of the prosperity of the works to others. New partnerships are formed, and new works are erected, and before long the demand for the article is fully satisfied, and prices do not advance.

In a short time the supply becomes greater than the demand; there are tons or yards more in the market for sale than required, and prices begin to fall. They continue falling until the article is sold at cost, and even sometimes, until the best managed and best equipped factory is not able to produce the article at the price at which it can be sold.

Large Concerns
Must Keep Going
Even at a Loss

When an article was produced by a small manufacturer, employing, probably at his own home, two or three journeymen and an apprentice or two, it was an easy matter for him to limit or even to stop production. As manufacturing is carried on to-day, in enormous establishments with millions of dollars of capital invested, and with thousands of workers, it costs the manufacturer much less to run at a loss per ton or yard than to check his production. Stoppage would be serious. The condition of cheap manufacture is running full. Twenty sources of expense are fixed charges, many of which stoppage would only increase.

Therefore the article is produced for months, and in some cases for years, not only without profit or without interest upon capital, but to the impairment of the capital invested. Manufacturers have balanced their books year after year only to find their capital reduced at each successive balance. While continuing to produce may be costly, the manufacturer knows too well that stoppage would be ruin. His brother manufacturers are in the same condition. They see the savings of many years, as well perhaps as the capital they have succeeded in borrowing, becoming less and less, with no hope of a change in the situation. It is in soil thus prepared that anything promising relief is gladly welcomed. To recoup themselves, to secure again the prosperity that they once enjoyed, they find themselves compelled to sacrifice their independent individuality as manufacturers, and become simply units in the great system of consolidated capital, just as the workingmen long ago became only units of an industrial system instead of independent laborers.

**The Mission of
the Trust**

Thus we see that the trust is an evolution, a grand step in the march of the world toward a higher and better stage of development. It is the product of natural forces that have been quite beyond the power of men to withstand, but that they have been in some measure able to utilize to their advantage. Concentration of capital has come in response to the imperative demands of modern civilization and modern industrial progress. It represents the maturest expression of human endeavor in industrial and commercial life. Born in the exigencies of an excessive struggle for superiority, it makes toward the higher attainments and the greater success of the race.

AMALGAMATION OF CORPORATIONS

AN OUTGROWTH OF THE ORIGINAL TRUST IDEA—HOW THESE ORGANIZATIONS HAVE STEADILY INCREASED IN NUMBER, IN IMPORTANCE AND IN CAPITAL INVESTED—SOME RECENT STATISTICS CONCERNING THEM

Early Attempts
to Improve Busi-
ness Conditions

Various experiments were tried in the attempt to readjust business to changed industrial conditions before the form of capital consolidation was adopted. Vanishing profits was the inciting cause of all these attempts, and originally men's minds were turned to the one idea of increasing profits by raising prices. That was natural. A man does not so soon think of reducing cost of production as he does of adding a few cents to his selling price. It is apparently so much easier to charge a little more than it is to cut down expenses. Economy is no more popular with a man in his business than it is with him in his personal affairs. It is only resorted to as a last necessity.

Accordingly we find that when business seemed to be rapidly tending toward a point where it would be done at a loss, or at least without much profit, corners, pools, syndicates, trade associations, and the like were invented. These were mere manipulations of prices. Their entire intent was to control products so as to arbitrarily fix prices at profitable figures, without regard to supply and demand.

**Failure of Syndi-
cate and Pool
Plans**

Of course they all failed, for they were wholly uneconomic and in direct opposition to established forms of business. The celebrated Copper Syndicate of France, that had such a meteoric career for a few years, furnishes a striking illustration of the futility of hoping for enduring prosperity out of such measures. The copper trust proposed to acquire the command of the copper supply of the world, and to limit production so as to create an artificial scarcity of the metal, and a consequent increase of its value.

The combination succeeded in securing the floating stock of the market, and in controlling the output of most of the mines of the world. For a year or so it made enormous profits, but soon consumers refused to buy at the high prices to which the metal was forced. The Syndicate found itself loaded more and more heavily with a stock that it could not dispose of to an unwilling public. Within two years from the time it had started it went to pieces, ruining nearly everybody interested in it.

Other pools and syndicates have practically repeated the history of the French copper trust. We have had examples of them in the United States. They have failed because they have attempted to accomplish economic impossibilities, or because those interested in them have fallen out with each other. It is easy enough to raise prices, but when they are raised beyond a reasonable point, people stop buying. That is the rock upon which all attempts to unduly inflate prices are ultimately wrecked.

When it was found to be impossible to successfully maintain pools, syndicates and corners, with the single

**From Trusts to
Consolidation of
Corporations**

idea in view of raising prices, the thoughts of men turned to originating some other plan to do away with excessive competition and its resultant loss. The first trust was a purely American idea. It was based upon an entirely different principle from that which underlay the pool and corner plans, for it was devised to rehabilitate industries by establishing economies through the co-operation of hitherto competing elements.

Although the original trust was short-lived, because it proved to be legally vulnerable as to its form, the theory upon which it was based was seen to be economically sound and financially practicable. It only remained to put it into another form that should not contravene established principles of law. That form was easily found in the corporation that has become firmly established as a factor of industrial progress and an essential part in all modern life. It was a single step, and a comparatively easy one, from the trust method of putting many corporations into the hands of trustees, to be operated in common, to the creation of a large corporation with abundant capital, to become the actual owner of the many small corporations that it essayed to absorb.

**A Marvelous
Movement of
Capital**

As soon as it was made clear that the corporate form of business was adequate to the new demands for the consolidation of capital, a financial movement set in among the industrial enterprises of the country in a manner that astounded the world. For more than ten years it has continued, and all attempts to stay its progress have been in vain. At no time has it been possible to clearly determine the extent of the new movement, the number of inter-

ests involved, the amount of actual capital invested, or its exact condition.

The statistician has revelled in figures concerning the thousands of new corporations that have been chartered. We have been told of the billions of capital involved, but the most reliable figures that have been attainable have only incompletely told the story. On the one hand, they have erred on the side of insufficiency of information. On the other hand, they have given overmuch credence to floating reports and to unstable announcements of a more or less fictitious or superficial character. It has only been necessary to have it announced that some new corporation has been chartered in New Jersey or Delaware with a capital of \$10,000,000 or \$15,000,000 to have it forthwith included among the great trusts of the country, without anyone stopping to seriously investigate whether it may or may not have anything more than a mere paper existence.

**Estimates Con-
cerning Amalga-
mated Capital**

Arthur T. Hadley, president of Yale University, has made the statement in a magazine article that "in the year 1898 the new companies formed in the United States for purposes of industrial combination had a capital of over \$900,000,000." He also added that, "in the earlier half of 1899, the capital of the new companies of this character was \$3,100,000,000." In the New York Herald of June 15, 1899, there was a tabulated list of the trusts established in 1898. This gave the number of such corporations as ninety-two with preferred stock, \$334,791,900, and common stock, \$957,957,300, making a total of \$1,292,749,200.

These figures of capitalization were in many in-

stances estimated, being based upon the known or estimated capital of the combined companies. Out of the ninety-two concerns listed, twenty-six were railway, gas, electric, telephone and other companies of like character, leaving sixty-three purely industrial corporations. These had a capitalization of \$318,966,900 preferred stock, and \$671,042,000 common stock, making a total of \$990,008,900.

A writer in the American Law Review for December, 1899, said that during the fiscal year ending September 29, 1899, the corporation department of the State of New Jersey issued charters for more than two thousand corporations, with a capitalization of \$3,500,000,000. The same writer estimated that at the close of the year of 1899, 15,000 trusts had been incorporated in New Jersey, 95 per cent. of the entire country, with a capitlization upward of \$8,000,000,000.

An Ex-Treasury
Official's
Opinions

A. B. Nettleton, former Assistant Secretary of the United States Treasury, in his work on "Trusts or Competition?" says that there are 130 principal trusts and consolidations in the United States, each capitalized at \$10,000,000 or more. The aggregate common stock of these amounts to \$2,784,218,000. The preferred stock is given as \$1,141,643,000 and the bond issues as \$88,288,000, making a total of \$4,014,149,000.

According to the same authority, the estimated combined capital stock and bonds of general corporate trusts in the United States of less than \$10,000,000 each amounts to \$600,000,000. The estimated capital stock and bonds of local corporate trusts, each having a virtual monopoly in its own field, not including tramway or transportation companies, syndicates,

combines, or other trade agreements, is \$385,851,000. Thus an approximate grand total is figured out of \$5,000,000,000.

An examination of Mr. Nettleton's list demonstrates again what constantly meets the investigator of this subject. It is impossible to find any classification of the so-called trust organizations, or any presentation of their numbers and the amount of capital invested in them that is in any way satisfactory: one is almost inclined to say intelligible.

**Confusion in
Trust Classifica-
tion**

Mr. Nettleton says of his list: "The aim has been to include only such industrial undertakings as involve the combination of two or more concerns, and for the most part, each organization named is a typical trust, which means a single corporation that has purchased the plants and businesses of all or a great majority of competing concerns in the same line in the country, so as to control the industry and enjoy a virtual monopoly thereof."

No mention is made of trade agreements and associations of independent and competing concerns, on the ground that they seldom fix and cannot long maintain exorbitant prices. The trusts that are merely local in their existence and locally limited in their operations have been excluded, as have also all the individual industrials engaged in production on a large scale, but still competitive, like the Carnegie Steel Company, the Baldwin Locomotive Works, the Federal Steel Company, and others.

Nevertheless, the list includes the Amalgamated Copper Company, several ice companies, several iron and steel companies, the Borden Condensed Milk Company, the Lake Superior Consolidated Iron

Mines, and other corporations that, under the rule of excluding purely local corporations or those that are in substantial competition, scarcely belong in the enumeration. Even as it stands, however, the list is quite formidable as respects the amount of capital involved.

Figures from an
Anti-Trust
Source

In the World Almanac for 1900, Byron W. Holt gives what he denominates a list of 200 leading corporate trusts, corrected to November 30, 1899. In this list he excludes what he calls natural monopolies along with consolidations and price and rate-fixing agreements. In order to make up his list of 200, he includes coal and iron, copper, local ice, steamboat, telephone, local brewing, local milk, automobile, telegraph and other companies that represent either local interests, independent business enterprises, or properties that own and operate patents, and even tremendously competing companies like iron and steel concerns. The only standard of measurement in this instance seems to be that the corporation shall have been a combination of two or more concerns, and sometimes not even that condition is rigidly adhered to.

The capitalization of these 200 trusts is stated to be the amount of stock issued when known or the amount authorized when the amount issued is not known. A total is figured out of common stock over \$2,200,000,000 and of preferred stock something over \$1,200,000,000, the grand total being nearly \$3,500,000,000. The statement is further made that "only the more important perfect trusts are contained in this list; over five hundred are known to exist."

In addition, Mr. Holt gives a list of what he calls

"sixty-five principal unincorporated trusts," which, he explains, are "price and rate-fixing agreements, profit-sharing pools, selling or buying agencies, product-restricting agreements, and so on." These, it is explained, exist in nearly every industry. The estimated capital of these concerns is placed at a little more than \$1,100,000,000.

**Industrials in the
Stock Markets** In The Manual of Statistics for 1900, detailed figures are presented concerning those corporations known in financial circles as industrials. The list comprises all manufacturing, commercial, electrical, gas, mining, land, coal, iron and other miscellaneous corporations whose securities are known in the leading stock markets, and full data are presented regarding their capital, earnings and organization. In this work the statements of nearly four hundred corporations appear. Of these there are express, copper, mining, banknote, telegraph and cable, telephone, gas, coal, ice, electric light and miscellaneous corporations, to the number of over two hundred, leaving some one hundred and seventy that can be fairly recognized as large or amalgamated corporations engaged in productive industrial enterprises.

A very considerable number of these concerns are of local character, are competitive, are incorporations of independent business plants, or companies that exist for the ownership of patents and for doing business thereunder. None of these can fairly be considered as trusts, in the general apprehension of the term meaning combinations of capital monopolizing or trying to monopolize specific industries.

The total capitalization of these corporations

amounts to a little more than \$2,500,000,000. Furthermore, in this gross amount of capitalization is included that of twenty-four iron and steel companies, whose capitalization alone amounts to over \$500,000,000. Some of these are in nowise trusts, even in the most elastic sense of the word. They are simply large incorporations of independent business enterprises. They do not represent consolidations of two or more previously independent and competing concerns. Furthermore, all of them represent competitive business in the fullest sense of the word, for competition between them exists, as it could not possibly exist between any number of companies of smaller size.

**Most Reliable and
Valuable
Statistics**

The figures in The Manual of Statistics are, beyond all question, the most reliable presentation of facts in relation to the field that they cover. They have been gathered with infinite patience from official sources and have been verified in all cases by the managers of the companies represented. They cover practically nearly all the corporations that have been listed in the leading stock markets.

That large corporations of amalgamated capital exist outside of those that are dealt in on the stock exchanges is undoubtedly true. Nevertheless, it is quite as true that by far the greater portion of those that are of sufficient size or influence to command attention in the financial world, or to exercise preponderating influence in any branch of industry, are to be found on the markets. Much of the amalgamated capital that has been arraigned as dangerous trusts and monopolies has been organized for the two-fold purpose of prosecuting industry and for financing stock

and bonds in order to enlist more capital. Naturally, then, such enterprises must seek the stock exchanges.

**Possibility of
Erroneous Con-
clusions** [It is fair to conclude that other so-called trusts or combinations that do not make their appearance in financial circles have been, broadly speaking, organized solely for industrial purposes and not for financing. They are merely old-fashioned corporations of greater or less size, such as we have had for generations. They are doing business in competitive fashion, but under the new system of economy in production and administration that now predominates in the business world.

If you seek to analyze the statistics presented from various sources, you will find that the movement, when brought down to the hard matter-of-fact test of dollars and cents, amounts to much less than is often declared by careless observers. A compilation of newspaper reports of new corporations with large capital, or even of official figures, appears imposing. It is not always certain, however, that they represent anything more than the mere charter of incorporation. Estimates and speculations based upon such information are, to say the least, of uncertain value. They lead to wrong conclusions concerning a subject that is of itself sufficiently momentous, even when considered conservatively and sensibly.

**Exaggerated
Figures of Cen-
tralized Capital** A computation made for the year ending February 28, 1899, placed the approximate amount of the new capitalization in the United States at \$5,200,000,000 with \$715,000,000 funded debt against new organizations with \$3,290,000,000 stock and \$379,000,000 in bonds for the year ending the same date in 1898. According to the cen-

sus statistics of 1890, the aggregate capital invested in manufacturing and mechanical industries in the whole of the United States was less than \$6,530,000,000.

Starting with the latter figures as a substantial basis, the absurdity of considering that the enormous figures attributed to the new corporations represent tangible capital is clearly apparent. They are practically worthless in estimating the financial magnitude of the trust movement. It is, of course, utterly impossible that, with the entire capital invested in manufacturing and mechanical industries in the United States being less than \$6,500,000,000 in 1890, in the two years of 1898 and 1899 the movement for the amalgamation of capital into trusts could have absorbed over \$8,000,000,000 of capital. No one will pretend for a moment that all industries have been gathered into the net of the trust, and we have not yet reached the point, even in financial exploitation, where the part can be infinitely greater than the whole.

**Steady Growth of
the Trust Idea**

Public excitement has surely tended to exaggerate the amount of actual capital absorbed by the trusts and the extent to which it is dominating the industry of the country. Nevertheless, these organizations, despite adverse legislation and severely critical opinion, have continued to grow in number, size and influence. During the years of 1897, 1898 and 1899 the movement toward the concentration of capital in all branches of industry showed a conspicuous development.

The trust idea seemed to flourish and grow stronger on opposition. The more it was considered and the greater publicity that was given to it, the more were its merits emphasized. Manufacturers and other busi-

ness men, who heretofore had given little attention to the matter, were led to investigate. The more they learned the more they became interested in it as promising a saving way out of the many complexities of business that surrounded them. The rush of corporations of all kinds to be absorbed by larger corporations continued with little interruption down to the closing months of 1899. At that time there appeared to be indications of cessation in the movement. Some careful observers came to the conclusion that for the present, at least, amalgamation of capital had nearly attained its limits under existing conditions.

Industrial Development Must Follow Financing Undoubtedly, however, the end is more apparent than real. The constructive period may have nearly passed. The energies of capitalists have, thus far, been largely devoted to reorganization. They have put themselves in line with this great economic revolution, have cleared their houses, as it were, and are practically at an end of the preparative stage. That is not by any means, however, an end of the trust movement. In fact, it is only the beginning.

There has been something of sensationalism in the rapidity with which business has hastened to array itself under the new order. Hereafter, however, we are likely to see much less of that, and more of a settling down into serious application to profit to the fullest extent by whatever of industrial advantage may attach to the changed conditions of doing business. The industrial strength of consolidated capital has as yet scarcely made itself known, save in isolated cases. The future alone can determine how the problems that now confront it will be worked out.

ADMINISTRATION AND PRODUCTION

ECONOMICAL RESULTS ATTAINED BY MEANS OF THE CONCENTRATION OF INDUSTRIAL FORCES—LESSENER COST OF MANUFACTURING AND OF SELLING—BETTER GOODS AND LOWER PRICES FOR THE CONSUMER

Capital Must Serve the Public

The only way by which aggregated capital can justify itself is by demonstrating its usefulness to the public. Capital is not unfairly regarded as innately selfish. In its manipulation its possessors have no other purpose of mind, save to make it minister to their own material advantage. Any thought of serving the public is entirely foreign to their contemplation.

Nevertheless, public utility is the one thing that is of paramount importance. More than that, the very existence of capital and the only excuse for the exercise of its powers rest upon its ability and willingness to serve the public. That is an undebatable proposition, whether we consider invested wealth in its simplest form of hundreds and thousands of dollars, or in its more complex aggregations of millions.

This is not the place to enter upon an extended consideration of the thousands of miscellaneous activities, large and small, in which capital is engaged. It is quite sufficient for the present purpose to point out that the fundamental law of satisfaction to the consumer simply involves excellence and cheapness of product, reliability and stability of service, and fair returns to labor. The public is primarily and directly in-

terested only in the qualities of excellence and cheapness. These two things it emphatically demands, and only the capital that guarantees them can hope for successful existence. Upon no other premise can it for a moment stand.

Capital, Labor and the Public In Partnership The consuming public demands and will have the highest degree of productive efficiency. It will insist that capital shall be so organized that labor can be kept steadily employed at fair wages, that the home market can be supplied with its products at reasonable prices, and that foreign capital can be successfully competed with in the markets of the world. These three things are for the general welfare and are the important share that the public has in all industrial enterprise.

Capital cannot stand alone by itself. It is in a partnership, the other partners being the wage-earners and the consumers. It would be difficult for any one of the three to get along without the others. On the whole, however, capital could be more easily dispensed with than labor or consumption. Even without capital labor might find something to do by itself and consumption could also meet at least its primitive needs unaided. Capital, however, cannot subsist for a single day except it is upheld by labor and consumption.

That is one of the reasons why capital by itself has gradually decreased in power and in value, while the other two partners in the combination have developed their strength and their influence. There never was a time in the history of the world when money was as cheap as it is now, or when labor could procure more of the products of capital with its earnings, or when the demands of purchasers were more fully or more

cheaply met. Instead of capital being the master, it is the slave. It is wandering about the world, not seeking whom it may devour, but plaintively begging for an opportunity to earn its scant three, four or five per cent. interest.

**A Philosophic
View of Industry**

In this competitive struggle on the part of capital to serve mankind, economy of production and administration have been the most important factors in determining its ability to remain in the field. Ralph Waldo Emerson said: "Wealth is the application of mind to nature; and the art of getting rich consists, not in industry, much less in saving, but in better order, in timeliness, in being at the right spot." That is the essence of economic philosophy. It is the rule of conduct by which every business organization must ultimately stand or fall.

The history of the great combinations of capital have fully demonstrated the truth of that philosophic utterance. Those that have attempted to achieve success merely by advancing prices, have invited their own destruction and have fallen, rarely to rise again. Those that have based their hopes upon better order and timeliness, that have aimed for economy in production and in administration, that have endeavored to recover vanished profits through savings and through the advantage that larger means gives them in reducing expenses, have been the ones that have achieved success; or, if sometimes, through untoward circumstances they may have missed it, they have at least merited success.

**Imperative Con-
ditions of
Business Success**

In any line of industry it is possible for a time to do a fairly successful business on uneconomic principles. Before competition

has arisen or the public has awakened to a full realization of its needs and its rights in the matter, he who attempts to supply current demands may not be called upon to exercise the carefulness of supervision that later on will be exacted from him.

The time is not long in coming, however, when he is compelled to be on the alert. Competition sets in, and that must be an end to wasteful methods of production and carelessness in business details. Ultimately there is only one rule of procedure by which enduring and profitable business existence can be assured, and that is by productive and administrative economy at every point. To that must every industrial enterprise sooner or later come, whether it be the small shop with two or three employees, or the large manufacturing establishment involving millions of dollars.

**Economic Efficiency
Demanded
of Capital**

It is this struggle of modern competition and the ever-growing demand for economic and administrative economy constantly forcing itself upon the attention of those engaged in supplying the world's needs that has been one of the inciting causes of modern centralization of capital. Only by the utilization of capital massed in compact form can the greatest economy of production be secured.

Hand labor always has been and always will be the most costly form of production. The hand-made article fabricated by the single individual, or, at best, by not more than two or three individuals working together, is relatively expensive. Machinery, giving employment to groups of workmen, under the direction of large capital, has resulted in a vast economy in methods of production. Capital has been the con-

trolling factor in bringing about this result, and the greater the amount of capital interested in any particular enterprise, up to the point of fully meeting its needs, the greater has been the resultant economy therein.

Capital, even in small quantities, has abundantly demonstrated its economical efficiency in a thousand different ways. Where it is most concentrated it has invariably proved most effective, other things being equal. The enormous modern manufacturing establishments that have done so much for mankind during the present century would have been impossible save through great aggregations of capital. It has only been by the operation of these instrumentalities that economical methods of production, lower prices, higher wages and an increased power of consumption on the part of the public have been developed.

**Wastefulness in
Early Railroad
Management**

Industrial history abounds in examples showing how commercial organization has operated to bring about a reduction in the cost of production and a consequent lowering of prices. Men are still active in life who have had personal cognizance of this in the case of the railroads of the United States.

In the early history of railroad construction the country was gradually traversed by innumerable small and unrelated traffic lines. Freight and passenger tariffs were maintained independently and at high rates, and travel and transportation were carried on under surroundings most discouraging and at high cost. The condition of things that then prevailed became well nigh intolerable both to the business and the traveling public, and the high rates were a burden upon the entire community.

When the numerous railroad lines in different parts of the country, and especially those that extended from the central west to the seaboard, began to consolidate, many men honestly believed that this was the beginning of such a centralization of capital as would eventually bring ruin to important public interests and great private industries. Long, however, before the work of combination was fully accomplished it had proved the foolishness of the direful predictions that had been made concerning it, and had fully demonstrated its usefulness to the public. Through the consolidation of many independent roads into a few great trunk lines there have come lower passenger fares, cheaper freight rates, improved roadbeds, better rolling stock, more frequent, faster and more luxuriant trains and safer traveling. With such regularity have these changes been brought about they would seem to have resulted from the operation of some all-powerful law.

Lessons**Drawn from****Railroad History**

As has already been declared on a previous page, it is not the purpose of this volume to discuss the history of capital invested in railroads and other so-called natural monopolies. As an example, however, of the workings of consolidated capital, the experience of railroads and like corporations has an instructive value. Statistics concerning them are more available than those pertaining to the later industrial organizations that have not been in existence long enough to fully demonstrate their scope and effects. It may be well, then, to study the figures relating to the operation of capital thus invested, as showing what results may be surely expected from its operation whenever consolidated, for whatever purpose and howsoever used.

The testimony of those who have given the most attention to railroad history in the United States, as well as of those who have had practical experience in managing railroads or in dealing with them, is all to one effect, and that is that it is only by consolidation that the roads have reached that point of excellence, as regards improved public service, that characterizes them at the end of the century.

**Some Results
from Railroad
Consolidation**

It was not until after the Civil War that the consolidation of railroads into large systems began to make itself felt. Since then the process of amalgamation has gone steadily forward, until now the transportation of the country is practically in the hands of a few great trunk lines that have either absorbed or have attained direct or indirect control of hundreds of formerly competing independent roads.

Figures have been compiled by the United States Bureau of Statistics relating to the changes in the rates of charge for railway and other transportation services. They show that during the period from 1867 to 1896 there was a marked decrease in the average revenue per ton and the average rate per ton per mile. In 1886, the average revenue per ton was \$2.06, and in 1896 it was \$1.56, showing a decrease of 24.27 per cent. in ten years. In 1867 the rate per ton per mile was 1.925 cents. By 1886 this had been reduced to 1.160 cents. At the end of the ensuing ten years the rate had been reduced to .745 cents, showing a decrease of 35.78 per cent.

**Lower Rates
of Travel and Im-
proved Facilities**

The average per passenger did not show as proportionate a decrease. In 1886 the average fare per passenger was 41.39 cents,

and in 1896 the average fare was 34.30 cents, showing a decrease of 17.13 per cent. In 1886 the average rate per passenger per mile was 2.208 cents, and in 1896 the rate was 1.979 cents, showing a decrease of 10.37 per cent.

At the same time there has been improvement in accommodations, speed and comfort. An account of traveling in the United States in the early sixties seems almost like a chapter from the history of the dark ages. To-day no one would be willing to contemplate for a single moment going without sleeping cars, parlor cars or dining cars, without through connections and subject to repeated delays and constant changes, including the rechecking of baggage and the purchase of tickets at the end of each short stretch of travel on transferring to other railroads.

Those were the conditions of travel in the period immediately following the Civil War, and were the accompaniment of high cost. Along with the great improvements in these particulars came a steady and large decrease in the cost of traveling. All these manifold advantages have been brought about principally through the concentration of capital and the consolidation of previously competing concerns under one management. Railroad history in the United States fails to show a single instance where consolidation has not in the end thus resulted.

**Result of Consoli-
dation in Produc-
tive Industries** That which has become part of the history of the great railroads of the United States has attached itself with like persistency to the nineteenth century productive industrial organizations. With the increase in general prosperity, the invention of machinery and the improved methods of

doing business, prices for products of all kinds have invariably tended downward. Trusts have in nowise interfered with this. On the contrary, whether they have been so disposed or not, they have found themselves compelled to accelerate the downward movement as a condition precedent of a successful continuance in business.

This is no mere matter of theory; it has been again and again practically shown in all the great industries. Market prices of all staples are lower than they were, fifty, forty, twenty-five, twenty, fifteen, or ten years ago. They have not gone steadily down. There have been fluctuations, sometimes very extreme. Now and then prices have gone up like skyrocketers or have unduly fallen through artificial causes. But every such exaggerated inflation or depression has been promptly followed by a movement in the opposite direction. On the whole, when prices of any particular article have once got soundly down to reasonably low figures, they have never been materially increased. That is a step in progress that history shows never can be retraced. Once we paid fifteen cents a pound for granulated sugar, but that time can never come again.

**Combinations of
Capital in Textile
Manufacturing**

Cotton manufacturing was the earliest industry to come under the influence of the centralization of capital. In that branch of activity was the beginning of the factory system and the foundation of all modern manufacturing. Statistics concerning that industry date back further than those pertaining to any other employment. Covering in this country a period of three-quarters of a century they have fully demonstrated how the use of large capital has resulted in notable economy and in the general enlargement and improvement of business.

In the United States census for 1880 figures were given concerning the cotton industry as it was in this country in 1830 and fifty years later. In 1830 the capital invested in the cotton mills of the United States amounted to \$40,612,984. In 1880 this had increased to \$208,280,346. The number of establishments had not increased in like proportion. On the contrary, they had decreased from 801 in 1830 to 756 in 1880, thus showing a very considerable concentration of capital in a lesser number of establishments.

This increase of capital and its concentration brought about also a notable development in the industry and conspicuous economies. The number of pounds of cloth produced in 1830 were 59,514,926, while in 1880, 607,264,241 pounds were produced. In 1830 the persons employed were 62,208, and in 1880, 172,544. The spindles in use were 1,246,703 in 1830, and 10,653,435 in 1880. In 1830 the average amount of capital to each establishment was \$50,702, and in 1880 \$275,503. Comparing the pounds of cloth produced with the amount of capital invested, we find in 1830 a ratio of 1.4 pounds to \$1, and in 1880 a ratio of 2.4 pounds to \$1. In 1830 there were \$652.85 invested to every person employed, and in 1880 \$1,207.17 to every such person. In 1830 there were twenty-two spindles to every employee and in 1880 sixty-two. In 1830 there were 950.7 pounds of cloth produced to every employee, and in 1880, 3,519.5 pounds to every one. The annual consumption of pounds of cotton cloth per capita was 5.90 in 1830, and in 1880, 13.91. The price of cotton cloth per yard in 1830 was seventeen cents, and in 1880 seven cents.

These figures demonstrate several things. During

Reduced Cost of
Production Fol-
lowed Centraliza-
tion

the period that they cover the aggregate capital invested increased quite 500 per cent., while the number of establishments decreased nearly five per cent., showing an enormous centralization of capital. This combination of capital brought it about that while the capital invested per spindle was one-third less, the number of spindles operated by each worker was nearly three times as large and the product per spindle one-fourth greater. It required nearly double the amount of capital for each person employed in 1880 that it did in 1830, and at the same time wages were more than doubled, being increased from \$2.55 in 1830 to \$5.40 per week in 1880. The product per dollar invested was twice as large, while the price of cotton cloth showed a falling off of nearly sixty per cent. and the consumption per capita of population an increase of more than 100 per cent.

A Chapter from
Productive Indus-
trial History

Let us examine the history of the Standard Oil Company, as showing how consolidation of capital has resulted in economy of production, improvement of service to the public, and lessened prices. The story is, in a broad, general way, a repetition of that of the railroads; the same economic laws have prevailed in both instances. Probably no other industrial organization in the United States has ever been more under the ban of adverse public sentiment than the Standard Oil Company. It was the first great trust to make an appearance, is one of the largest industrial organizations in the world, and comes more nearly to being a monopoly than any other corporation of its kind now in existence. Whether through its operations it has proved to be to the public advantage or disadvantage is still a popular subject of animated debate.

If it is possible for aggregated capital controlling industrial organization to attain to monopolistic power and to maintain its special selfish advantages in opposition to the wishes and interests of the public and in defiance of all economic forces, the Standard Oil Company could certainly be expected to accomplish this result, since it has existed under conditions most favorable to itself.

**The Development
of a Great
Industry**

Several things are clearly apparent in relation to this company. During the nearly third of a century of its existence, previous to 1900, it developed an industry that, down to 1870 had amounted to comparatively little, into an annual volume of more than \$150,000,000. Of that vast amount the shareholders retain about \$25,000,000, while the people of the country have the advantage of the remaining \$125,000,000. Under the business operations of the company the cost of light has been greatly lessened and a hundred million dollars are annually paid out for oil and labor. The Standard Oil Company has added, undoubtedly, more than \$1,000,000,000 to the wealth of the country, and contributes each year \$60,000,000 to the credit of our export trade.

That these results could have been attained or even distantly approximated by the operations of hundreds of independent oil producers and refiners, is quite beyond comprehension. Only the combination of capital, as it has existed in the case of this company, could have been thus successful.

**Some Methods
of Economy in
Production**

Before the organization of the Standard Oil Company in 1872, oil was transported from the wells to the market by the railroads in small quantities in barrels and tanks. Gradually these

methods of transportation were succeeded by great pipe lines, that, extending underground, convey the oil directly, easily and cheaply from the oil fields to the leading cities of the country. It is said that on the cost of transportation alone, there has been a saving of over sixty-six per cent. In the cost of barrels, which the company now manufactures for itself, there has been a reduction in cost of about forty-seven per cent., and in the manufacture of tin cans a saving of fifty per cent. So at all points there has been a very great reduction in the cost of production, brought about principally by the ability of the company, through its large capitalization and efficient management, to transact business in a big way, to make great improvements, to multiply its facilities and to take advantage of all the many economies arising from extensive purchases and sales.

**Reduction of
Price
to Consumers**

It is fair to ask how much the public has profited by the operations of the company.

If, through its introduction of economical methods, it has been able to reduce the cost of production, that will avail little in public estimation if the profits thus secured have been monopolized solely by itself. Of course we have had better oil. Once petroleum was very poor and dangerous to use. Now it is a perfectly safe illuminant. More than that, it is brought to the doors of even the poorest people in the most distant settlements of the country at prices that are reasonable.

The steady fall in price of oil has been one of the most conspicuous features in the history of the Standard Oil Company. According to the statistics of the New York Produce Exchange reports and the New

York Chamber of Commerce reports, it appears that in 1871 the oil shipments from the wells amounted to 5,667,891 barrels, while the stock of crude oil on hand was 568,858 barrels. The price of crude oil per gallon at the wells was 10.52 cents, while the price per gallon of refined oil for export was 24.24 cents.

During the seven years following 1871 the shipments and the stock on hand largely increased until, in 1878, the former were 13,750,090 barrels and the latter 4,307,590 barrels. The price of crude oil had fallen until, in 1878, it was 2.76 cents per gallon, while the price of refined oil for export was 10.87 cents. In 1879 the first pipe line was laid, and thereby the amount of shipments and the stock on hand were still further increased year by year.

**Improved Pro-
ductive Methods
and Falling Prices**

The price of crude oil and of refined oil kept going steadily downward, until in 1881, the year that the Standard Oil Trust was organized, the price for the former was 2.30 cents and the latter 8.05 cents. In 1887 the amount of shipments had arisen to 26,627,191 gallons and the stock on hand to 28,310,282 barrels. The price of crude oil was 1.59 cents and the price of refined oil 6.75 cents. From 1871 to 1887 the price of crude oil had fallen 8.93 cents per gallon, and the price of refined oil 17.49 cents. That showed a net fall in the price of refined oil over and above that of the crude of 8.56 cents per gallon. This reduction in price was due exclusively to improved methods introduced into the various processes of refining and transporting oil, methods that were only possible through the employment of large capital such as the Standard Oil Company has possessed.

After 1887 the price showed a generally downward

tendency, although with occasional higher prices. In 1888, 1889 and 1890 it was fractionally above 7 cents per gallon; in 1891 and 1892 it was a little above 6 cents per gallon; in 1893 and 1894 fractionally above 5 cents per gallon; in 1895 and 1896 7 cents and 7 1-3 cents, and in 1897 and 1898 5.9 cents and 5.7 cents respectively. After January, 1898, there was an upward tendency in the price, going from 5.40 cents upon that date, according to the statistics of the New York market, to 9.65 cents in December, 1899, a rise of 4.25 cents per gallon.

**Prices of Crude
and Refined
Oil Compared**

In January, 1898, the price of crude oil was 1.55 cents per gallon, and in December, 1899, it was 3.88 cents. The difference be-

tween the price of crude oil and refined oil in January, 1898, was 3.85 cents; the difference in December, 1899, was 5.77 cents. This showed that to the price of refined oil has been added not only the advance in the cost of crude oil, but 1.92 cents per gallon besides. It has been clearly pointed out that this additional advance was more than eaten up by the increased cost of other items in the production of refined oil. During the years of 1898 and 1899 particularly the price of nearly everything that enters into manufacturing and distribution of all kinds of articles showed a notable increase. Machinery, lumber, chemicals, labor, freight, and so on, advanced, some of them a very considerable per cent. The price of refined oil did not advance more than proportionately, or in excess of its increased cost.

**A Page from the
History of Paper
Manufacturing**

In the latter part of 1899 the public heard a great deal about the grasping paper trust and the sudden increase in prices of the par-

ticular goods that it supplies to the American public. The fact that there was a slight increase in prices was naturally seized upon by superficial observers as conclusive evidence that the combination of capital in this particular instance was exercising its powers unduly to the detriment of the public.

The real truth is that owing to a variety of causes the paper manufacturing industry became very depressed along in the early nineties. An abnormal competition between the various individual mills, assisted by other causes, brought the market price of paper down to ruinous figures. There was really no profit in the business anywhere and many mills were running at a loss. It is certainly not fair, either in economics or in politics, to take such a condition of things as a standard and measure the rightness of the future conduct of a business by the manner in which it does or does not adhere to those precedents.

**Natural Cause for
Higher Prices
in Paper**

The rise in the price of paper during the summer of 1899, when ordinary news went up to as high as two and one-half cents and

other grades similarly, was due to natural causes. It was in one sense a recovery from the stagnation that had prevailed for some years previous and which condition was impossible of permanent continuance without driving into bankruptcy every paper mill that should attempt to do business upon any such figures. Moreover, there was an increase in cost of nearly everything that entered into the composition of paper, pulp, chemicals, rags, and so on; an increased cost of all kinds of machinery, and a drought such as had not been known for many years and that restricted the output of the mills to an unprecedented extent.

It is with figures covering periods of ten or twenty years that it is fair to make comparisons. Special and temporary causes may result in a rise or decrease in prices for a year or two, but such spasmodic occurrences are of little importance in estimating the real effects of any particular movement or the operations of economic laws. Men who are still in the paper manufacturing business have no difficulty in remembering the time when they sold news paper for fifteen or twenty cents a pound.

**Steady Reduction
in Prices of Paper** Long after the Civil War had ended and the country had settled down to conservative business, publishers still continued to pay ten and twelve cents a pound for their supply. Gradually the price sank to eight, seven and five cents, and ultimately dropped to two cents, and even one and a half cents per pound. Looking back over a period of thirty years we see then that there has been a steady decrease in the price of news paper with the exception of the little flurry, when the figures went to a point so low that it was impossible to maintain them there and sustain the industry.

Whitelaw Reid, proprietor of the New York Tribune, in a speech before the American Paper and Pulp Association, in February, 1899, speaking on this point, said: "We have seen paper gradually sinking until it stands now steady to firm at two cents a pound, (with a vast deal of grumbling if it is not up to the standard. And I am now here to say that I am satisfied. I am not anxious to have paper made any cheaper. I incline to the belief that, on the whole, the greatest good of the greatest number will probably be conserved by not making paper any cheaper than it is to-day."

**Similar Results in
Other Industries**

Instances might be multiplied almost beyond number, showing how history has repeated itself in the case of other great industrial enterprises, revealing the successive stages in increasing industrial efficiency at the same time with lowering prices. For many years the American Sugar Refining Company largely had control of the sugar market. Notwithstanding the opportunity which its commanding position seemed to give it, the price of sugar constantly decreased, while its quality was as steadily improved.

In 1880 the price of grocer's standard A white sugar was \$9.48 $\frac{1}{2}$ per barrel, according to the reports of the New York Chamber of Commerce. Every subsequent year showed a fall in price, until in 1887 it was only \$5.66 per barrel. In 1888 the price of granulated sugar was seven and five-eighths cents per pound. In the closing months of 1899 the retail price in the New York market was three and one-half pounds for sixteen or seventeen cents. It may be argued that these latter prices may have been due somewhat to the great competition that set in against the American Sugar Refining Company in that year. But even previous to that time, when there was no strenuous competition, the family supply of sugar was bought of the retail grocer in New York markets at a price from eighteen to twenty cents for three and one-half pounds.

Cotton-seed oil commanded 47.94 cents per gallon in 1878. In 1883 it was 47.08 cents per gallon. The following year saw the consolidation of the cotton-seed oil manufactories of the country. Within four years the price had fallen to 38.83 cents per gallon, and by the summer of 1899 to 25 cents per gallon.

**A Striking
Illustration
of Economic Law**

After all, however, considerations of the fluctuations and constantly downward tendency of prices are in themselves of relatively little consequence to the public. They are principally interesting and important from another point of view, that of the exposition of a great economic principle and their relations thereto. As such they have been utilized here in the case of several of the industries in which the effect of combined capital has been most notable. They point to and emphasize a great truth that is really the only important thing worth more than a passing thought in this connection.

Probably the Standard Oil Company presents as conspicuous an example as can be found of the real operations of combined capital in the control of industrial enterprise, working strictly and compulsorily in accordance with the laws of supply and demand. Several things that are as plain truths as that two and two make four are deducible from the history of this company. They cannot be too strongly emphasized and they must be kept constantly and clearly in mind in any rational consideration of this subject or in any conclusions regarding it that have definite, practical value.

In selecting the Standard Oil Company for an illustration, it is simply taken as a type of the contemporaneous industrial organization and not for any individual peculiarities that may differentiate it from others. Like all other corporations, this company was organized and has been continued in operation for the sole purpose of making profits for its shareholders. Beyond all question those who have controlled its affairs would have refrained from the expense attending

the introduction of improved methods of production and distribution and would have continued to charge the public high prices for oil, profiting more largely for themselves by such a policy, if it had been possible for them to conduct their business and to achieve satisfactory financial results under those conditions and by those methods.

That is human nature and praiseworthy business enterprise. Had they manifested any other disposition they would be fairly chargeable with lack of ordinary business sagacity and of that energy and farsightedness that is at the basis of all prosperity.

**Economic Law and
Absolute Protec-
tion to the Public**

When, therefore, we find that this company has not conducted its business in the manner just referred to, but, on the contrary,

has steadily lowered prices and improved the quality of its products, we must look for the cause in something entirely separate from the inclinations or the powers of its managers. That cause will be found in the irresistible force of an economic law that demands improved economy in production and administration, and a consequent reduction in prices, as the imperative condition of successful and profitable business under modern conditions.

Not even this company, with its enormous capitalization and its favorable conditions for monopoly of the market, has been able to withstand the operations of this law. That those who have been entrusted with the control of its affairs have adopted the course that they have, conclusively demonstrates that they have been able to do a successful business only with due consideration to the reasonable demands of the consuming public.

Unquestionably, that has been the experience of every combination of capital that has undertaken to exploit any considerable field of industry. Now and then there may seem to be examples to the contrary. These are merely ephemeral, however, and ultimately they have wrought out their own destruction; their wrecks have strewn the shores of the business world. It is not possible for any corporation, no matter how large, to do what the Standard Oil Company has been unable to succeed in accomplishing. Therein is the absolute protection of the public. All experience has fully demonstrated that, and the future will not show the contrary.

High Prices
Feared by the
Public

Probably no single point in relation to the possible effect of trusts has been more generally debated than that touching the prices they may be able to maintain upon the products they essay to control either wholly or in part. A great deal has been constantly said about high prices upon all kinds of articles, and especially upon many of the common necessities of life.

Whenever prices have gone up popular opinion has been quick to attribute this result to the arbitrary action of the trusts; on the contrary, when prices have fallen there has been no disposition manifested to credit the trusts with this result. There has been little inclination to consider at all whether these fluctuations in prices might not be due to causes entirely outside the province of capitalistic activity and quite beyond its control.

It is easy to argue that the whole intent of capital concentration is to raise prices to the advantage of the share-owners of the enterprise. Popular opinion

will generally, for a time at least, follow in the easiest and most thoughtless way.

Influence of Pools and Syndicates Upon Public Opinion The record that the pools and syndicates that were so popular a dozen years or more ago left behind them, still has its effect upon

the public mind. Those trade combinations were frankly and fearlessly devised, simply and solely to increase prices and thereby raise profits to the advantage of the pockets of their promoters. The idea of merely serving the public to the best possible advantage and deriving profit therefrom was entirely foreign to those propositions. Naturally, a large part of the public has not yet learned to discriminate between those earlier combinations that were really in restraint of trade and the public interests, and the later day industrial organizations. High prices are expected from trusts largely because that was the constant accompaniment of the earlier pools and syndicates. People look to definite facts and are not at first inclined to analyze. The ill repute that attached to the first big trade combinations has persistently followed their successors.

High prices Cannot Be Permanently Maintained Nevertheless, it is a proposition that has the absolute force of law, that no individual, no firm, no corporation and no amalgamation of corporations, however large or small, or whether involving little capital or much, can raise the prices of their products to an unreasonable figure and successfully maintain them for any considerable time.

There is an immutable law of supply and demand that regulates such things, and no man nor any company of men has the power to rise superior to it. The needs of mankind, the abundance or scarcity of natural resources, the general prosperity of communi-

ties, increasing or decreasing, as may be, their purchasing powers—these are the things that fix prices, and not the arbitrary determination of any individual or individuals, with eyes open only to the possibility of their own profits.

Sometimes people may be induced, temporarily, to pay a little more for things than they have been accustomed to, but in the long run a rise of a few cents per pound or a few dollars per ton results in an immediate decrease in demand that brings prices down.

Low Prices Not Always Advantageous High prices are not necessarily objectionable, nor is cheapness always something to be desired. Benjamin Harrison once told us that "a cheap coat covers a cheap man," and as offensive as the phrase may be from some points of view, there is a forceful element of truth under it.

Cheapness that comes from poverty and that caters to individuals or communities without the means to purchase good articles at a reasonable price, is certainly nothing to be admired. It argues a condition of affairs that is profoundly to be regretted. On the other hand, when the prevalence of high prices means general prosperity, there is abundant reason for rejoicing. Generally speaking, high prices, prosperity and comfort travel hand in hand.

When the price of wheat goes up, for example, no one can be found who believes that thereby disaster threatens the country. It is recognized that the advance in the price of wheat is an indication of the wholesome prosperity of the country. It not alone benefits the great agricultural population which profits directly thereby, but it also improves the financial condition of the entire country. When wheat is sold at

fifty cents a bushel, there has been general stagnation in all industries. A rise in the price has not only accompanied prosperity, but has been a potent factor in stimulating it.

**Reasonably High
Prices Develop
Prosperity** What is true of wheat applies with equal force to all other products of industry, agricultural, manufacturing or mining. Excessive prices, beyond their actual value or the real consuming power of the public, cannot, of course, be defended from any point of view. Nor, indeed, can they be maintained for any length of time. The law of supply and demand will, in the end, regulate that, without regard to the desires of those who endeavor to corner supplies and unduly put up prices.

Reasonably high prices are, however, wholesome and in every way a stimulus to the community. Such a condition of things long continued in any branch of industry shows that the individual members of the great consuming public are enjoying prosperity. This, in turn, reacts upon the industry, adding to its financial success, increasing its stability and enabling it to give employment, at good and often increasing wages, to a larger number of employees. Thus, this influence, emanating from high prices, acts and reacts upon itself, constantly moving in a circle.

When high prices generally prevail, no one ever hears of bankruptcy and receiverships, of wholesale discharges of workingmen, or of large reductions in wages. On the contrary, when prices fall too low, bankruptcy, loss of employment and low wages almost invariably follow. Reasonably high prices constitute a safer condition of things than their opposites.

COMPETITION NOT DESTROYED

IMPOSSIBILITY OF MAINTAINING MONOPOLY IN INDUSTRIAL ENTERPRISES—CONSTANTLY THREATENED BY THE POTENTIAL COMPETITION OF CAPITAL SEEKING PROFITABLE INVESTMENT—RESTRAINING INFLUENCE OF PUBLIC OPINION

English Feeling
Against
Monopolies

Monopolies in olden English times were regarded equally in abhorrence with other proceedings that were believed to be in restraint of trade. In fact, then, even more than now, there was little attempt to discriminate between the two. In the earlier times monopoly was a special grant made by the king, giving to a certain person or persons, or political or corporate bodies, the sole right to buy, sell, make, work or use things for the common advantage. Under these monopolies specified articles of trade could be bought and sold only by certain persons, and specified classes of labor could only be done by those who had grants of monopoly to their own personal advantage. They existed in abundance previous to 1600, but in the early part of the seventeenth century they were declared void. Sir John Culpepper described them in these vigorous terms:

“Like the frogs of Egypt they have gotten possession of our dwellings, and we have scarce a room free from them. They sup in our cup, they dip in our dish, they sit by our fires. We find them in the dye-fat, wash-bowl and powdering-tub. They share with the

butler in his box, they will not bait us a pin. We may not buy our clothes without their brokerage. These are the leeches that have sucked the Commonwealth so hard that it is almost hectic."

**Popular Hatred of
Monopoly**

An inherent dread has existed in the minds of all people of modern times, lest monopoly shall again fasten itself upon the body corporate. Having gradually emancipated themselves from the thralldom of monopolies that generations ago bore heavily upon them, the people do not propose at this late day to return to the old condition of affairs.

Freedom in social, political and industrial activities, and the power to make individual or corporate energies advance the common welfare, having been attained and long enjoyed, will never be surrendered. On that point there can be no retrogressive movement. Whatever shall appear to have within itself either the purpose or the power to create monopolies in the production and distribution of the necessities of life, will not, and should not, for a moment, be endured.

**Fear that Trusts
May Become
Monopolies**

With the natural abhorrence that is felt by any free people toward attempts to monopolize the common rights, privileges and necessities, it is not surprising that there has been an almost overmastering apprehension lest in tolerating the existence of trusts, the seed of monopoly may be cultivated that will, sooner or later, become a noxious plant. This undoubtedly has been one of the chief causes that has stimulated public sentiment and agitation against trusts. The beneficial side of these aggregations of capital has been largely overlooked. Their size, the phenomenal amounts of capital involved in

them; the realization of the enormous power that they may exercise; these considerations have naturally forced themselves most on the public attention. People have jumped to the conclusion that here, indeed, must be that dreaded monopoly in its most aggravating and most fearsome form.

There are three things not at all identical, which the people in their thought and speech jumble together and even attack without just discrimination. These are, first, capital as such; secondly, centralization, and thirdly, monopoly. For the most part, except by conservative thinkers and speakers, the single word monopoly is used to cover them all, blanket fashion. A clear understanding of the specific qualities pertaining to each of the three, and especially an intelligent and frank acknowledgment of the difference between monopoly and the other two, are not generally made.

**Essential Element
of Monopoly**

Careful investigation, however, will conclusively show that, in cherishing this idea, the public has taken council of its fears, in-

stead of being guided by calm reason. Massing of capital does not necessarily give it monopolistic power, using the term monopoly in its generally accepted sense, as meaning an absolute control of the production of an article or articles, and the use of that control to the detriment of the public by curtailing output and increasing prices. Broadly stated, there is no such thing and can be no such thing as monopoly in industrial enterprises. Webster defines the word as meaning "the sole power of dealing in any species of goods, or of dealing with a country or market, by purchase or by a license from government; the sole permission or power to deal; exclusive command or

possession." A monopoly then is a monopoly only when it has exclusive control of an industry without competition.

**The Only
Real Monopolies**

Governments have established certain monopolies of their own, as, for example, the coinage of money, the handling of mails, and the organization of armies and navies. They also grant monopolies to private individuals through patents and copyrights. In times gone by they also conceded trading privileges of an exclusive character to corporations. These latter, however, have long been practically things of the past, although now and then in modern times, they have been chartered.

Outside of these special prerogatives of government and the privileges that are granted by them to individuals or corporations for the purpose of stimulating enterprise or invention, or more rarely for the purpose of exploring and developing new countries, as in the case of the East India Company of England, monopoly is no longer known. So far as the term is used to designate, or even to suggest by implication, the possible character of any modern industrial enterprise, it is not only an error of phrase, but most emphatically an error of fact.

**The Theory of
Partial Monopoly**

There can be no monopoly as long as competition or possible competition exists. In that simple phrase is conveyed the principal argument against the danger of monopoly in modern industrial enterprises. Competitive conditions surrounding any particular business completely deprive it of all such power. No aggregation of capital, no heed how large, and no heed how securely it may seem to be intrenched, can kill competition, un-

less it possesses and can maintain absolute control of the raw materials upon the utilization of which its business is based. Upon no other conditions can anything even approximating monopoly be attained, and those are now practically impossible.

It follows naturally that no organizations now doing business without special government favor are in any sense monopolies. It is true that in certain lines of industry some of them control the greater part of the goods consumed by the country. Such concerns have sometimes been described as "partial monopolies," an appellation that really disputes itself. A monopoly is either a monopoly without qualification, or it is no monopoly at all. As W. Bourke Cockran has expressed it: "A partial monopoly is about as intelligible an expression as a partial whole."

There is no occasion to fear any concern that has attained merely a partial monopoly. Those who may be in the enjoyment of other parts of this partial monopoly will see to it that none of their rivals gains any distinct advantage in the field, and that means competition. In fact, "partial monopoly" is only another way of expressing the fact that competition exists.

A Legitimate Way to Control the Market A big consolidated corporation that hopes to possess or largely dominate the market must accomplish that result by control of the supply of raw material or by virtue of its economy of production. In every sense, it is really competitive. It enjoys its pre-eminence and has been successful in the struggle for success by reason of the triumph of its skill, brains and economy over other competitors.

Nor does its success free it from further competition. It must always continue to keep up the struggle.

It is always subject to competition, for if it raises prices, it immediately invites rivalry. The cost of its control of the market, if it has one, is either wholly or in part the perpetual low prices that it offers to the consumer.

Bearing on this point, former Congressman Thomas B. Reed has a good story that he often tells. As related by him in an article in the *Saturday Evening Post* of Philadelphia, it runs this way:

"A good many years ago a wise old manufacturer in my district told me the secret of success. I said to him: 'You are the only man who makes these things. You can demand your own price.' Said he: 'I am trying every minute to make these goods cheaper and sell them cheaper.' 'Why so?' 'I am the only man,' he replied, 'in this business, and I want to stay so. If I raised the price I would have a boom, but I'd lose a business. In the long run, business is better than boom.' "

**Competition En-
couraged by
Success**

The proposition that competition must exist under any and all circumstances, even those that on the surface may appear most favorable to the creation of monopoly, is no mere matter of theory. Experience has abundantly demonstrated it. Examples might be multiplied and elaborated to an extent that would fill a volume to show how the strongest competition that the world has ever known has grown up between these modern aggregations of capital.

In the steel and iron industries we have many corporations of enormous wealth and power. Altogether, there are not less than thirty or forty concerns in this one industry. They operate independently of each

other and are enormously profitable. No one of them has ever been able to obtain a monopoly, and they exist in a constant state of competition.

The American Sugar Refining Company, as large and powerful as it has been financially, and as masterful as has been its management of business, has had competition during its entire career. Its record is one of economic efficiency and increasing usefulness to the public in producing better sugar at lower prices. Hence it has not specially invited competition. Nevertheless, refineries have been built and managed in opposition to it, and again and again it has been forced to buy these out as a measure of self-defense. The closing part of the year 1899 was made specially memorable in the history of the sugar industry by the reappearance in the market of several independent refineries.

Competition
Strongest Between
Great Corpora-
tions

Did space permit, hundreds of other instances could be multiplied of similar character. Even the Standard Oil Company has never been entirely free from competition, and its energy and resourceful methods have been developed in no small measure through the influence of this competition, real and possible. The greater the interests involved and the larger amount of capital that is invested, the more vigorous becomes the war of competition.

Where rivals are few in number, competition is invariably weak, because the individual competitors have not the ability, nor the financial resources, to carry on more than Lilliputian warfare against each other. Between firms of considerable size the struggle may be more positive and more productive of definite

results. Between corporations it becomes still more keen. It reaches its fullest development between the big industrial corporations backed by amalgamated capital.

In these corporations millions are at stake, and, in ambitious resources and masterly skill, the combatants are like big armies, albeit engaged in peaceful warfare. A fight between two individual soldiers, or even two companies of soldiers, is not of great force or great importance. Multiply your companies by thousands and the battle shakes the world. The competition between these trusts, when compared with the competition that has heretofore existed between smaller enterprises in times past, is like the battles of armies, as compared with the skirmishes of small bodies of troops.

**Outside Capital
Always Seeking
Investment**

Potential competition is another thing that wise business men always hold in fear. The capital of the whole world is ready to flow wherever the most promising opportunities for its profitable investment are revealed. A few years ago millions of dollars went from England to South America, lured by what, in the end, proved to be false hopes of rewards. Now the English millions are invested in South African mines, or in the railroads and the industrials of the United States. From Europe and from the United States capital is already turning toward China. Nor in France, in Germany, or elsewhere is it less alert.

Capital is sensitive and conservative, but, at the same time, it must be enterprising. Always seeking investment, sometimes it is so eager that its proverbial conservatism is overcome, and it rushes in recklessly

after illusive profits. Men do not hoard their wealth. They demand that it shall work for them, either so that they may live in the enjoyment of its labors, or that they may have a larger income than the mere efforts of their hands and brains can produce. Idle capital is incomprehensible. Either it is working hard to win a definite profit, or it is working hard to find the opportunity to work.

**Excessive Profits
Invite Fresh
Capital**

The field of profitable investment in the world has not enlarged as rapidly as capital has increased in volume. The perfection of modern manufacturing methods has brought it about that, year after year, less and less capital has been required per unit of production. While the consuming demand in all directions has developed to enormous proportions, and while millions upon millions more of laborers are employed at steadily rising wages, less and less capital has been proportionately required for carrying on these operations. The latter-day competition of capital for opportunity far exceeds in scope and in vigor any competition of industry to secure its services.

Enterprises that attempt to secure larger profits than those to which they may be legitimately entitled, or to establish themselves in control of any particular field of industry, thereby hang out signal lights to attract hungry capital into competition with them. At once they place themselves in danger. They invite attacks from outside that, as experience has abundantly proved, in the end may not only bring about the destruction of all their hopes for monopoly, but also may threaten their very financial existence.

When capital once starts to flow toward certain

**Evils of
Over Competition**

investments it is apt to overflow, if the incentives to its movement happen to be exceptionally powerful. Such an influx of capital into any particular branch of industry means inflation of business, over-production, and strenuous competition. This, in the end, results in loss all around, alike to the capital first invested and to that which has come into use later on. In fact, there is only one way by which any business enterprise can come near to protecting itself from these determined assaults of potential capital. That single way is by keeping profits down to such a reasonable point that they will not challenge others to enter the same field. Any industry that wishes to rest in the reasonably secure and calm enjoyment of its opportunities for profitable employment must refrain from all attempts at monopoly. It must forever abandon any hopes that it may have cherished of such a possible ultimate outcome of its position.

**Surplus Capital
from Successful
Business**

More than anything else, the trusts have themselves most to fear. The same forces that have driven them into combination are still controlling them and will always control them in the direction of conservative conduct of affairs. They carry within themselves the elements of their own destruction as monopolies, whenever they may make serious attempt to attain that distinction.

There is no special advantage in monopoly, unless it gives its possessor the ability to do all the business in his particular line that the country demands at a reasonable profit, or to exact tribute from the public by excessive prices. In either case the result would be a large and sometimes an exceptional

interest on the invested capital. This, as has already been pointed out, invites the competition of other capital. More than that, it enters into immediate competition, either with itself or with capital from other industries.

Profits that are derived from any enterprise immediately seek further employment. The company proceeds to enlarge its business out of its gains, a movement common to all producing enterprises. There is, however, a limit to which this can be done. When that has been reached the surplus capital that has been, and is still being created from the profits of this business, must seek for investment in other lines outside that from which it has come. Accordingly we see that the successful operation of any large industry constantly creates more and more capital that must be somewhere invested.

**Amalgamated
Capital Competes
with Itself**

Young in years, most of the trusts are, and as yet, not fully in working order, so as to secure the highest degree of financial success that may be possible to them. Still this acquirement of surplus capital that, in turn, demands investment, has already clearly manifested itself. The wealth of the Standard Oil Company having expanded in its own industry as far as possible, goes into the iron and steel field to compete with the other great corporations already established there. It also finds employment in the ore carrying trade on the great lakes.

The masters of the Carnegie Steel Company already see that the possibilities of the industry in which they have amassed fortunes, will soon be inadequate to the utilization of their surplus capital. The new charter of the company in 1900 gave it the privilege of engag-

ing not only in iron and steel manufacturing, but in mining, railroad transportation, water transportation, banking and other occupations.

The more successful an enterprise may be in achieving profits for its share-owners, the more it adds to the surplus capital that must find investment somewhere, and that will, sooner or later, come into competition with that from which it was derived, or with that engaged in other occupations. Every successful trust organization is doing the same thing year after year. A blind man should have no difficulty in seeing the ultimate result.

Public sentiment has always been, and will continue to be, a potent factor in restraining monopoly. The feeling of opposition to trusts, unreasonable and unthinking as it may be in many respects, and as devoid of definite results, has, nevertheless, in a certain way, exercised a wholesome curbing influence. However the operators of trusts might wish to secure monopoly advantages, they have a profound respect for public opinion.

Restraining Effect
of Public Opinion

This feeling may not arise spontaneously from any special approval of the public attitude. On the contrary, it may be developed more from fear or dread of what may result therefrom. To what point of definite action the resentment of public opinion might lead, under the influence of real or fancied cause of provocation, is an uncertain quantity. Its very uncertainty is what gives it strength. One is apt to hesitate a long time before going too far in stirring up an opposition, the consequences of which it may be impossible accurately to predicate from any point of view, of theory, or experience.

**Conservative
Capital
Anti-Monopolistic** The workingman, the agriculturalist, the professional man, the small tradesman, the middle class consumer, these all know that monopoly is vitally opposed to their material interests, and are in arms against the merest suggestion that it may attain ascendancy in any branch of industry. As a matter of fact, many large capitalists, who, from their commanding positions in the control of certain industries, might naturally be regarded as having monopoly inclinations, are quite as anti-monopolistic as any of their fellow-citizens. They fully realize that whatever temporary advantage might accrue to them and the special enterprises in which they are interested, the ultimate results could not fail to be in the highest degree detrimental. More than that, all through the country capital that is not massed in colossal holdings is opposed to that which has become aggregated. It is keenly watchful of all the movements of the latter, and may be counted as one of the strongest restraining influences against monopoly.

**Decline of Cor-
porate Influence
Upon Legislation** From some quarters comes the expression of a fear lest trusts, through the exercise of the power of concentrated wealth may be able to control legislation to the injury of the public. Undoubtedly corporations have in the past exercised an influence not always healthful, upon federal and State legislative bodies. Probably they will never entirely forego this privilege.

It is equally true, however, that corporate influence upon legislation is growing less year after year. Such power as it possessed in the quarter of a century following the Civil War no longer belongs to it. Conspicuous attempts that have been made by corpora-

tions in recent years to secure favoring legislation have been repeatedly conspicuous failures.

In the last ten or twenty years of the century, more legislation inimical to corporations was placed upon the statute books, national and State, than that which was favorable to moneyed interests. Exceptions there were, but on the whole the tendency of legislation is more and more toward the general public welfare and against special interests. As respects legislation, the trusts have more to fear from the people than the people have to fear from the trusts.

CAPITALIZATION AND OWNERSHIP

SHARES OF LARGE CORPORATIONS WIDELY DISTRIBUTED—
MULTIPLIED OPPORTUNITIES FOR INVESTMENT BY WORK-
INGMEN AND THOSE OF MODERATE MEANS—OVERCAPITAL-
IZATION SURE TO RESULT IN DISASTER

Trusts are Merely
Large
Corporations

Trusts as they now exist are simply corporations, lawful and regular in form and in purpose. They are organized exactly as other corporations are organized, and for the same reasons. They differ from the ordinary corporation only in the amount of capital involved and in the extent of their operations. Save in size, the Standard Oil Company with its \$110,000,000 capital stock, and the Federal Steel Company with its \$100,000,000 preferred and its \$100,000,000 common stock, are in no wise different from the Columbia Cab Company with \$10,000 capital, the Empire Neckwear Company with \$3,000 capital, and thousands of other concerns of like proportions that are incorporated every year.

A few men with hundreds of dollars to invest, organize a stock company because it offers the safest and most advantageous form under which to do business. A few men with millions of dollars take a similar step. In both instances, the form is the same, the purpose is the same, and the results are very likely to be proportionately alike. The small corporation may succeed, or it may be a failure, and that too may be the record of the larger one.

**Old Capital
in New Working
Form**

Most of the actual capital in these combinations is merely old capital in another form. It attracts attention now, not because it is in anywise different from what it formerly was, but simply because it has become more conspicuous. Thirty concerns, each representing an average value of \$1,000,000, and located in widely separated parts of the country, will excite little comment. Let them be consolidated into one big corporation, valued at \$30,000,000, and the public is apt to be carried away with astonishment in contemplation of the magnitude of the business. Nevertheless, it is just the same investment that existed before in divided form, and just the same contribution to the productive energy of the country. Nothing new in the way of capital has been created.

This conversion of old capital into new working form has really constituted the major part of the trust movement. Measured in dollars and cents, the industrial growth has been a comparatively small element compared with the financial change of form. Undoubtedly, later on, in the natural course of events, the former will most strongly manifest itself. At present, with most trusts, the formative stage has not yet been really outgrown. Of course, there is a natural limit to this conversion of capital. When all, or nearly all, the older enterprises in a given industry have become consolidated, then the industrial side of the problem will be surely dominant.

**Concerning the
Size of
Corporations**

It is incumbent upon the opponents of combinations of capital, on account of their size, to fix a limit of capitalization beyond which incorporations should not be permitted. Logi-

cally, the argument against the large concerns is equally as strong an argument against the small one thousand dollar corporations.

Of course, we are reminded at once of the dangers that exist in large corporations, and then we ask: "How large must a corporation be to be dangerous, and how small may it be to be harmless." If \$200,000,000 is dangerous, how about \$100,000,000? If \$100,000,000 is still counted as beyond the danger line, how about \$40,000,000? If \$40,000,000 transcends the limits of safety, perhaps we can stop at \$20,000,000. But there are those who stand aghast at \$20,000,000. Perhaps \$10,000,000 would meet with their ideas of innocuous capital.

If we have not yet got far enough down the scale to satisfy the ideas of the most timid ones, to what point must we go below which everybody will be satisfied that capital is quite harmless? It would seem as though the mere statement of this proposition must carry with it the complete idea of its absurdity, and the impossibility of seriously considering the question of aggregations of capital from the standpoint of size.

One of Chauncey
M. Depew's
Stories

As illustrative of this point, the Honorable Chauncey M. Depew has often told a good story of the way in which he at one time

met the argument of a man who posed as an enemy of millionaire capital. It was at a hearing before the New York Legislative Assembly upon a proposition for the regulation of railroads. The gentleman in question appeared in favor of the measure, and in opposition to aggregated capital invested in New York railroads. In the course of his remarks, he de-

clared himself in favor of taxing great fortunes out of existence. He asserted that he would draw the line at \$1,000,000, because that amount was necessary to carry on a large business, or he would possibly allow \$2,000,000, on account of expansion. Beyond that amount he would confiscate every man's accumulations.

As Senator Depew tells the story, it was brought out that this man was himself a millionaire, being worth about an even million dollars. His idea of what one man should be allowed to accumulate was measured entirely by the size of his own fortune. It was incomprehensible to him that the man who had \$500,000 could think that amount should be the limit of permissible accumulations, and not his \$1,000,000.

**New Opportuni-
ties for Small
Investors**

In no wise have the opportunities of the smaller investors been reduced or hampered by the advent of the trust system of organizing capital. On the contrary, the field for common investment has been, if anything, enlarged and improved.

Before the small corporations of the country and the independent firms were consolidated into the large corporations, it was difficult, and even for the most part impossible, for any outside investor to obtain an interest in them, unless it was as a working partner or active shareholder ready to assume a very respectable proportion of the total investment. Under the trust system, a radical change has been brought about. Capital, instead of being repulsed unless it comes in considerable amounts, is sought after and invited to lend a hand in the business and to share in its profits.

If the day of large aggregations of capital has come,

the day of the small investor has come at the same time, paradoxical as that may appear. Never before has there been a time when it was so easy for the man with limited savings of a few hundred or a few thousand dollars to obtain an interest in great industrial enterprises. Heretofore he has been rigidly excluded from participation in these concerns, and hope of securing some of their profits has been quite beyond him. Now he can go into the market at any time and make his investment, becoming a share owner in almost any of the corporations that are dominating industry.

**Shares in Cor-
porations Widely
Distributed** It has been estimated by a conservative observer that there are now upward of three hundred and seventy-five thousand investors in trust corporations. Others have fixed the figures even higher than that. Of course, it is impossible to determine the exact number, and moreover, it would be difficult to fix upon a standard of amount of share ownership that should be recognized as dividing the large owners from the small ones.

Nevertheless, it is well known that the number of relatively small share-owners has marvelously increased since the incorporation of these groupings of capital, and the figures that have been broadly fixed probably err on the side of moderation, if at all. The inclination of small investors to thus take an interest in these dominant industries has been so marked that it deserves more than mere passing attention. The idea forces itself upon the mind whether this may not be the starting of another economic movement that may ultimately prove as notable and as fraught with big results as the movement of capital toward amalgamation that has preceded it.

If the small investors continue to put their capital into the securities of consolidated corporations, it is possible that, in the course of time, the control will pass largely into their hands. This would be a strange outcome of what is now regarded as the massing of wealth, but it is by no means an impossible result. There is no doubt, whatsoever, that capital, as represented in the stock certificates of the trust corporations, has become more widely distributed than ever before. How far or how rapidly this will proceed cannot now be determined, but the tide has set in that direction. This is a phase of the trust problem that will repay careful watching. It will certainly demand more attention in the near future than has as yet been given to it.

**Evidence from
Massachusetts
Corporation
Statistics**

Statistics in Willey's Laborer and Capitalist show that in 1887, while the number of corporations in Massachusetts was less than half as many as the partnerships, the number of persons interested in corporations was fifteen times greater than the number of partners. At the same date, the thirty private firms in that State interested in cotton manufacture represented only fifty-eight persons, while the eighty corporations engaged in the same industry represented nearly 14,000 persons. The same statistics show that while in 708 firms only twenty-nine females were interested, in 319 corporations 6,000 women were stockholders.

**Trusts Are Demo-
cratic in
Principle**

In principle and in actual workings, the big corporations with millions of dollars of stock are thoroughly democratic. Because we only think of things that we see on the surface, we are apt to regard these great aggregations as repre-

senting the concentration of capital in the hands of the few. People hear of the presidents and other officials who are popularly reputed to be millionaires. Because their attention is not called to them, they never think of the hundreds of thousands of small stockholders who divide ownership with the larger and more conspicuous shareholders. It has been stated that there are more than 3,000 stockholders in the Standard Oil Company, and Henry O. Havemeyer is reported to have said that there are over 11,000 shareholders in the American Sugar Refining Company. Undoubtedly other corporations will show a like wide distribution of ownership.

These industries, as they are now organized, give an opportunity for general investment, such as was not possible before the era of consolidation. The time was when industries scattered throughout the country were in the hands of the few. Often they constituted a sort of hereditary possession, being handed down in close corporations or partnerships from one generation to its family heirs in the next. With the advent of the large corporation, this condition of things has, to a considerable extent, already disappeared, and, in the natural progress of events, will, in time, be entirely eliminated.

Americanism in
Commercial
Organization American democracy aims to give to the many all the social, political and industrial opportunities, rather than to leave these to the limited few. In that respect, the industrial combinations are more thoroughly American than any form of business that has preceded them. It is possible for the many to obtain control of any corporation, and in this manner to direct its destinies and to profit by its

opportunities for success. Not even the managers, whose names are most familiar to the public, and who are popularly held to be supreme in authority, kings in their industrial domains, can escape from the control of this democracy of investment.

It is always within the power of minority stockholders to exercise some influence over even the seemingly most independent officials, while the law grants them many rights and privileges that may further curtail the powers of those who occupy places of official prominence. Continuance in position, on the part of officials and directors and their associates, is dependent upon the goodwill of the stockholders.

**Special Advan-
tages in Corpor-
ations**

One thing contributes much to the popularity of corporate form of business. Men of moderate means can invest, with less possibility of loss than under any partnership agreement. In general, the liabilities of stockholders are limited to the amount of their investment, while a man doing business alone, or with partners, risks his entire property, whether it is in the concern or not.

A still greater convenience arises from the protection that corporate investment gives in case of the death of a stockholder. This is not only a safeguard to the individual, but also to the corporation itself. When a man dies, his estate, if comprised largely in corporate holdings, is settled with comparative ease, and with little risk of loss to his heirs, or of disturbance to the business. His heirs can sell or distribute the stock among themselves, and the business goes on just the same, without disorganization or embarrassment of any kind. On the other hand, it often happens that the death of a man results in the complete dis-

ruption of the business, of which he may have been the sole owner or a partner. Even if that does not happen, the settlement of the estate is much more involved.

**Constantly
Growing Demand
for More Capital** These organizations of aggregated capital are already in the market for more capital. They are in competition with each other in this respect, seeking the small investor, as well as the large moneyed man. Wage-earners with small savings can find opportunities for investment that were once denied them in the very industries with which they are most familiar through their employment therein. They can thus themselves become capitalists and proportionate participants in all the advantages that may accrue to capital, be it large or small.

Profit sharing, which has long been advocated in some quarters as a panacea for many of the existing industrial ills, may thus be established in a new way. It may even be possible that out of this opportunity for small capital to find a place for itself, and the correspondingly extended distribution of stockholding in leading industries, a long step will be taken toward the solution of the problem of the relations of labor and capital.

If labor and capital can thus be harnessed together in corporations, properly organized, and with their stock well distributed, the combination of interests thus assured could not fail to have its effect in establishing a greater comity of agreement between the employer and his employee, inasmuch as both will stand more nearly upon a platform of mutual financial interests.

Small capitalists, laborers and others are ready to

join hands in this financial and industrial movement. They only ask for safe investments. Naturally, they will be more cautious than those who have larger wealth to depend upon. That corporation which will make its capital stock a safe investment for its workmen and others, that will put its business upon a fair basis so that a man can feel reasonably sure that it will yield him a good income with only the ordinary chance of loss, can have all the capital that it wishes from an infinite number of small investors.

Era of Productive Industries For more than a century and a half the American people have been engaged in the development of their country. During the greater part of that time most of their energies were devoted to the simpler forms of productivity, such as agriculture and mining, and to the problems of transportation made necessary by the marvelous extension of population to all parts of the continent. In the first century of the republic, manufacturing industries were of secondary importance to other pursuits. That was the period of their foundation; their expansion was to come later.

The master minds of the country found the most inviting opportunities for the exercise of their abilities in the inauguration and upbuilding of the transportation systems that have made the United States the wonder of the world. By far the largest proportion of American fortunes that date beyond the last quarter of the nineteenth century originated in the providing of railroad and other transportation facilities demanded by the phenomenal growth of the country in population and diversity of industries.

With the closing years of the century has come the

era of the productive industries. The consuming needs of the nation in the necessities of common life, as distinguished from those purely of service, have become of paramount importance. Industrial occupations have engaged the attention of men of finance and of men of the highest executive ability. They have responded promptly and marvelously to the attention that has been given to them, and have taken a foremost place in contributing to the prosperity of the country. Large fortunes have come from them, until now their record of financial success rivals that of any other pursuit.

**Fortunes Now
Made in Industrial
Enterprises**

Industrials representing meritorious properties, and financially based on conservative values and prospects, constitute the safest and most valuable forms of investment of modern times. The day of small things has forever passed away with them.

Through the process of concentration of capital the productive enterprises of the country take their place financially beside other great corporate energies. The natural resources of the country, the ever-growing consuming demands of the American people, and the wide possibilities of an almost limitless foreign market, are sound elements that constitute the surety of their prosperity. Fortunes have already been made in them. Men who are most in the public mind as examples of successful Americans who have achieved extraordinary monetary success, have been identified with industrials. Their names will readily occur to every reader. Most of them have had small beginnings, and their success has been through, and by reason of, the special industrial enterprises with which they have been connected.

**A Promising Field
for Investment**

Opportunities for taking advantage of the rising tide of industrial productivity are open to every individual. The movement is only at its beginning as the twentieth century opens. Future generations will look back upon it even as we look back upon the inception of railroad transportation and other forms of national activity in the past.

At the prices at which industrial securities are now quoted, most of them are good values. They are destined to grow in importance and to increase in value as time goes on. It must not be forgotten that they have scarcely begun as yet to occupy the field upon which they have been prepared to enter. Almost limitless profits are before them as the years of their activity and increasing productiveness arrive.

**Investors Ask for
Information**

Conservatism and good business judgment are necessary on the part of investors to enable them to participate in the future industrial prosperity of the country, and to share in the profits that are sure to come from it. A wise man does not rush recklessly into speculation. Neither will he hasten to put his money into industrial securities inconsiderately, or with lack of attention to the present condition or reasonable expectations concerning their future. While believing that most of these industrials are sound properties and good investments at fair figures, the careful investor requires that he shall be fully informed concerning them. When the time has arrived that this condition of things shall prevail, the millions of American capital will pour in to support industrials, eager to profit therefrom.

Illustrations of the benefit to be derived by corporations through frankness with the investing public in

regard to their financial condition and operations may be found in the history of more than one concern. The policy of publishing annual reports of operations and finances, presenting full and frank exhibitions of the exact condition of the companies' affairs, has been pursued. This has given the investing public more confidence than it would otherwise have, and has created a generally favorable impression. The prices that the securities of such concerns command in the market show how responsive the disposition of investors has been to the actual degrees of prosperity thus made known.

**Over-Capitaliza-
tion, Real and
Imaginary**

Undoubtedly, one thing that has militated seriously against the success of many large corporations has been the tendency to over-capitalization. There is probably more misunderstanding on the part of the general public about what is called over-capitalization or watered stock than about any other feature of the trust problem.

Over-capitalization may be a serious thing in the case of natural monopolies that are supported by the adventitious aid of government in the maintenance of fixed charges. It is possible for them to insist upon and often enforce the right to derive from their public service a substantial or even excessive income upon over-capitalization. In the case of competing industrial enterprises, the situation is entirely different. The earning capacity of the latter is not derived from special favors, nor does it rest upon any opportunities save what the open market offers alike to them and their competitors.

The excessive figures of capital stock and bonds attached to many of the big corporations chartered in

the last decade of the century have given rise to a great deal of talk about over-capitalization. The thing, however, is more imaginary than real. It is mostly on paper, and the only fear to be apprehended from it is not of injury that it may do to the community at large, but of danger of loss that it may possibly bring upon the investing public.

Excessive Capitalization Often Intangible

Although the figures representing contemporaneous amalgamated capital appear enormous, as they are set down in black and white, there is really less cause than is sometimes imagined to be alarmed by them. More or less of this great capitalization is merely on paper. It does not represent actual money invested either in cash or in properties, or any other form of tangible values. It expresses no more than the hopes or ambitions of those particularly interested that sometime or other the business thus incorporated may be sufficiently prosperous to pay a fair interest on the amount of capitalization.

As a matter of actual fact, much of this stock is never sold or taken up in any form whatsoever. It remains a drug on the market or in the corporation treasury, simply because the business represented is not able to carry it. It really has never had any tangible existence save as the figment of somebody's imagination. Eventually it may disappear entirely, wiped out in reorganizations or in the bankruptcy of the concern that has been thus inflated. It does not even rise to the dignity of watered stock upon which, as we well know, it is often possible to earn dividends.

The Real Test of Stock Values

It is, of course, perfectly just and proper to make the capital stock of any enterprise sufficiently large to cover the actual assets

that are taken into it and also its earning capacity. After that has been done the value of the stock is established, not by the rate of capitalization, but by the opinion of the public. The nominal capitalization of an enterprise is, in itself, a matter of little moment. Let a concern be capitalized at \$1,000,000 and succeed in paying, not in any one year, but for a succession of years, five or six per cent. dividends on its total capitalization, and its stock will sell at par. That is, its capitalization stands for its real value.

Let the same corporation, however, fail to earn more than two and a half or three per cent. on its capitalization, and its stock cannot be sold for more than fifty per cent. of its par. It makes no difference that its capitalization on paper is \$1,000,000; its real value is \$500,000, and by no juggling with figures can anyone get away from that irrefutable fact.

**Evidence of the
Stock Market**

The stock markets reflect this condition and fully demonstrate the proposition.

One need only examine the market reports day after day to verify this statement. The stock of many of the corporations that have been most conspicuous in the public eye during the era of corporate consolidations, and that have been capitalized up to many millions of dollars, is a drug on the market at sixty, fifty, forty, or thirty cents on the dollar. Evidence is conclusive that the investing public believes that that part of the assets of these corporations represented by earning power or good-will has been largely over-capitalized. Investors hesitate to put their capital into enterprises, the ultimate value of which may seem to be more or less problematical.

To the task of disabusing the public of this idea, the wisest managers of corporations are already addressing themselves. Sound business judgment naturally dictates a conservative course in this matter. It is recognized that in the long run the good-will of the solid investor is of more value than the merely speculative interest of the plunger, in building up and sustaining important industrial properties. Over-capitalization does not interest the latter one way or the other, but it is apt to repel the former. Less and less will be heard about over-capitalization as time goes on, and the industrial side of the new organizations, more and more takes precedence over the financial side that has hitherto been dominant.

FOREIGN MARKETS AND THE TARIFF

SMALL CONCERNS AT A DISADVANTAGE—LARGE CAPITAL, IMPROVED MACHINERY AND PRODUCTIVE EFFICIENCY ESSENTIAL TO SUCCESSFUL COMPETITION WITH EUROPEAN MANUFACTURERS—THE TARIFF AND THE TRUSTS

The World Struggle for Trade

The coming warfare between nations will be an industrial one. It has indeed already commenced. More and more is this coming to be recognized by rulers and statesmen. Military wars are now undertaken for the control of territory that shall give commercial and industrial outlet to great manufacturing nations.

That is one reason; in fact, it is entirely within bounds to say that it is the only substantial reason, for the movement at the end of the century for the dismemberment or control of China by the nations of the West. It has been the dominant influence in Russia's constant struggle for mastery in the territories of Asia, and for an outlet to the waterways of the world. In all the little disputes over the islands of the Pacific, the nations involved have not failed to raise the question of their commercial interests. France, Germany, Belgium and Great Britain have been engaged in the work of subjugating the wilds of Africa in order to turn them into teeming marts of trade, and to make the millions of savages consumers of the products of civilized industry. The real cause underlying the war

between Great Britain and the Boers in South Africa was commercial and industrial.

**United States Now
a World Power** In this contention the United States are destined to take a conspicuous part and exercise a powerful influence. We have forever renounced the hermit policy to which we have heretofore sedulously adhered in our relations to the rest of the world. With the close of the Spanish-American war, and the overthrow of Spanish domination in the West Indies and the Philippines, began a new era for the American people. The United States became a full-fledged world power, and could not remain isolated from other nations, even if they were so disposed.

Expansion is no longer a debatable question. We have already expanded, and however averse some may have been to this political step, it is now an accomplished fact. Having, as a nation, once put our hands to the plow, it is impossible for us to turn back. We have entered upon a career that must be pursued, courageously and unhesitatingly, whether it may lead to good or ill.

Industrially and commercially, as well as politically, this revolution will be momentous and far-reaching. During the nearly third of a century, wherein the American productive industries were growing to a high state of prosperity, the home market, as a rule, sufficiently claimed their attention. The domestic demand was so nearly up to the possible supply that there was little need to attempt to cultivate the foreign markets.

But with the boundless resources of our country and our tireless industrial activity, our national capac-

ity for production finally passed beyond the demands of the home market. This has long been true of our agricultural products, which for years have been forced to seek sale in the markets of the world. In a lesser degree it has been true, incidentally, of a few lines of manufacture. The industrial trend has, however, been toward an expansion of our market. We have learned that we cannot forever live simply by ourselves, consuming the entire products of our own industry. We must discover our larger profits in ministering to the needs of other people.

Tentative At- American manufacturers have never found
tempts to Invade the foreign market very susceptible to their
Foreign Market influence. Conditions of foreign industry have been such that it was difficult for them to successfully compete with their foreign rivals. The low wages paid to workingmen abroad and, in general, the contracted ways of living there were elements that entered into the cost of production to such an extent as quite to forestall any attempts of the American manufacturer under the stress of higher wages and better living to enter the market with his goods.

It has been only toward the close of the great industrial century that Americans have made important and successful attempts to invade the foreign markets. At last we have found that in productive industry, no less than in agriculture, we have developed far beyond the capacity of exclusively home consumption. Once we sent abroad a few pieces of machinery, now and then a little paper, some small hardware, a few bales of textiles, and so on, either because we needed to get rid of something that happened to be a drag on a stagnant home market, or because some one

wanted to play with exporting for the moment. Now we send locomotives and steel rails to England and other European countries, while miscellaneous products from our mills and shops are establishing themselves everywhere.

**The United States
and the Orient**

While all the world is now open to American industry, the great East undoubtedly offers the fairest field for exploitation. The trade that in those parts has, for more than a quarter of a century, been held by the nations of Europe, has turned toward the United States as the twentieth century appears in view. The acquisition of the Philippines was the first step, and a great step, toward the East. Through that channel we shall undoubtedly have, in a few years, a volume of traffic with the Orient, compared with which, our present foreign trade will pale into utter insignificance.

Already, we have exerted the strongest influence upon China, insisting that the other nations of the world shall respect the maintenance of the open door in trade with that Empire. Thus, we have pledged ourselves to take a leading part in the greatest task of the coming century, the reform of the Empire of China. We have served warning upon the merchants of Europe who have hitherto thought it desirable to surround their trade by all manner of restrictions and competition. We have declared ourselves in the field of contest for foreign trade, regardless of competition, and the rest of the world fully recognizes the strength of our position and the doughty foe with which it is now brought face to face.

**Our Growing
Trade with China**

For twenty years or more, before the acquisition of the Philippines, the United States showed a steady increase in its com-

merce with China. The development was slow, at first, it is true, but latterly the rise in the rate of increase has been of such proportions as to clearly indicate the magnitude of operations within our reach in that part of the globe.

Great Britain's trade with China surpasses that of any other nation. A few years ago, Japan, India, and the continent of Europe were all ahead of the United States. In the past few years we have made such steady progress that we have already distanced the continental nations of Europe, and so far as the statistics of 1899 go, have left India behind. Now we stand third among the nations of Europe in the size of our Oriental trade, with Japan as second, and Great Britain first.

It is freely predicted that, unless unforeseen obstacles arise, we shall pass Japan within two years, and have Great Britain as our only serious competitor. Our greatest trade with the Orient is in cotton cloths from New England and Southern mills, and, with certain grades of these goods, we dominate the Chinese market. What has been accomplished with this line of goods may be as successfully done in other branches of American trade.

Advantages Pos- Abundant reasons exist why the United
essed by Ameri- States should be successful in competition
can Manufacturers with other manufacturing nations for universal trade. In this country are the largest and cheapest water powers in the world, with the greatest amount of coal and the cheapest. Raw materials exist in an abundance that gives us unequaled advantages in nearly all branches of manufacturing. Our internal transportation service cannot be surpassed for its ex-

cellence and its cheapness; our railroads carry freight for less than half what is charged in any of the countries of Europe.

The skill of American labor and the superiority of the goods that are put upon the market, as a result of its energy, have placed the United States in the forefront. American goods, especially manufactures of iron and steel, have, in many instances in European markets, either driven out the native product or relegated that to a secondary position.

Some years ago, an English papermaker who was visiting this country and examining the paper mills here, said to an American rival: "When you have occupied your own market, when you have no longer any market here, you have a market in England as large as your own, because you can make paper cheaper than we can, and therefore, in a contest of prices, you will be able to take that trade away from us." What may be true of paper has already begun to prove true in many other branches of manufacture.

**Danger from
Cheap Foreign
Labor**

In reaching out into the foreign market, the American manufacturer, despite the many natural advantages that he enjoys, comes at once into competition with the labor of the world in all its different grades of cheapness. He comes into competition with methods of manufacturing and selling that have been the outgrowth of generations of experience. He comes into competition with soundly established industries, and with prejudices and preferences in the world's market that have grown up out of intimate commercial relations with other nations, extending through long series of years.

To combat these things that, at the outset, seriously

militate against success, the American manufacturer and importer has need of something more than the methods of industry that have prevailed with him and his domestic competitors thus far. He cannot, if he would, reduce wages of his workingmen to the coolie standard of China and the far East, or to the peasantry standard of England and Europe. He cannot immediately overcome the momentum that has already been acquired by his rivals of other countries.

His only opportunity lies through that measure of productive and administrative efficiency that has become a dominant characteristic of American industry. It is the tireless American business energy and the relatively greater productiveness of capital and labor in this country, as compared with other countries, that has already enabled the United States to engage successfully in competition with foreign manufacturers at certain points, although, as yet, only to a limited extent.

The Situation Demands Combined Capital

It is interesting and important to note that the expansion of our export trade has come about almost coincident with the development of capital into large corporations. That this is not a mere happening would seem to be indubitably plain. Highly improved machinery, in the invention and use of which we undoubtedly surpass the world, has had its influence. This advantage has been supplemented in turn by economy of production, secured through the massing of capital and the utilization of labor in great armies. Thus we have placed ourselves in a position where we are able to compete with the manufacturers of the world under any and all conditions.

It is especially satisfactory that this can be accomplished without in anywise hurting the workingman, a fact that is now so well recognized that it does not need further demonstration. Even on the present scale of wages, American ingenuity, energy and labor capacity will beat the world in the cheap production of a variety of manufactured goods. That result can only be accomplished, however, through the exercise of powers of large capital that bring about economy of production and are able to handle the foreign markets in a big way.

**Amalgamated
Capital Created
the Opportunity**

An entrance into the foreign market not only is possible alone to large corporations, but it is also an inevitable outcome of the amalgamation of capital. Where industries are divided between many small concerns, it is not difficult for them to adapt themselves to changing conditions of demand and supply. When, to use a stock phrase, "business is dull," they can shut down their shops without serious impairment and start up again when more promising conditions prevail. This is a serious disadvantage to the consuming public, because it introduces the element of fluctuating prices and uncertain supply. It is also a disadvantage to labor in that it means uncertain wage returns. Finally it is to the loss of invested capital.

Through the exercise of the powers that amalgamated capital possesses, and that particularly enable it to reach out into the foreign market, these disadvantages are, in a large measure, removed. With them go all the disturbing influences that have so frequently clogged the wheels of industrial progress. With bigger markets at command, production may be almost

abnormally increased without fear of reaching the point of excess with its resultant stagnation.

Moreover, business being carried on upon a larger scale and without interruption, month in and month out, year in and year out, it is conducted cheaper per unit than is possible under less favorable conditions. There is less waste and no necessity of making up for the losses of idle periods by the undue economies or excessive strain of the more prosperous times. By supplying this outlet the foreign market gives consolidated capital an opportunity that was never possible as long as we attempted to engage in industry only through segregated and relatively weak independent concerns. More than anything else, this opening for amalgamated capital in the markets of the world makes toward the greater stability of industry, the more certain employment of labor at good wages, and the increasing of the wealth of the country.

No Field
for Small Capital

In this new field of business activity the advantages that come from the massing of working capital in compact and aggressive form, and the economies of production that are thereby possible, must take the place of those other advantages pertaining particularly to foreign competitors. Small concerns have no chance of success. They are handicapped from the outset.

Capital must be banded in large amounts for the invasion of the foreign market, since the transactions there must be of large magnitude, and at the outset be carried on under more or less discouraging conditions. The field is ours, as has been already fully demonstrated in many small ways. It cannot, however, be fully possessed by the activity of hundreds of small

concerns, frittering away their opportunities in ineffectual efforts, no matter how energetic they may be, or how well intended their endeavors.

**Views of an
American Paper
Manufacturer**

At the banquet of the midsummer meeting of the American Paper Manufacturers' Association, held at Niagara Falls, in July, 1896, Warner Miller made an address, in the course of which he dwelt at considerable length upon the subject of export or foreign trade on the part of American paper manufacturers. In view of the situation as it is to-day, his remarks displayed singular foresight, and what he said is equally pertinent to other enterprises as well as to that of paper making. From the report of his address, as it was printed in the columns of *The Paper Mill*, the following excerpt has been taken, and it will be found illuminating and suggestive in this connection:

"It (the foreign market) cannot be taken by one mill or a single concern. The amount of money required and consideration given to it cannot be done by any one mill, and no one mill is willing to go from this country into foreign markets. If we are to have this market in England and Central and South America, and in Australia, it can only be done by some kind of organization, by some getting together of the principal mills and undertaking this trade, and when that is done we shall find a market outside of our own limits which will take a very considerable portion of all the paper we can make, and it will take it at remunerative prices."

**Asserted Influence
of High Pro-
tective Duties**

This is not the place to enter upon a review of the merits or demerits of the protective tariff system. That subject has been

threshed over thoroughly in American politics for a half century and more, and its further consideration at this moment is scarcely demanded by any thought of public interest or public welfare.

An idea, however, has been advanced in some quarters that there is an intimate connection between the tariff and the contemporaneous consolidation of capital, and that the former has been an inciting cause and a substantial support of trusts exercising powers of trade detrimental to the public welfare. Such a theory must rest entirely upon the issue of whether industrial organizations have succeeded in acquiring monopolistic powers and in advancing prices to consumers. It is shown on other pages of this volume that neither of these propositions is true. None of the trusts has a permanent monopoly in the product that it handles. All have been compelled to yield to the law of demand and supply and of industrial progress, and to lower prices instead of increasing them.

**Tariffs Have Not
Prevented Dom-
estic Competition**

That the tariff has succeeded in keeping the home market mostly for home industry is an indisputable proposition. Whether such a result has been desirable of consummation belongs entirely to another field of discussion than this. The fact exists, and, at the same time, we have seen a constant lowering of prices, an increasing of wages, and an improved condition of living for all classes.

Another thing is certain; the tariff has not yet succeeded in permanently destroying competition in the domestic market. All that it has done has been to keep out foreign goods and give American manufacturers a better opportunity than they would otherwise have to build up new industries or to develop

those already existing into a higher degree of profitableness. In retarding competition between domestic manufacturers, it has never had any effect that was more than merely temporary, and most often not even that. Its real influence, so far as relates to the centralization of capital into large industries, has been only to hold the domestic market exclusively to the competition of domestic capital free from the disturbing influence of lower priced foreign products.

**How the Tariff
Has Helped Trusts**

In one respect, however, the tariff fairly may be termed "the mother of trusts." By removing the necessity of competition with the cheaper produced and cheaper priced goods of other countries, American manufacturers have been enabled to secure higher prices for their products in the home market than they could otherwise have done. This exceptional profitableness in many lines of production has gradually invited more and more capital into fields that seemed to promise excellent returns for investment. In the course of time the desire to profit by these opportunities has been so insistent that over-production has resulted, and severe competition has set in. Out of that condition of affairs, as is discussed in another chapter, has arisen the demand for consolidation of hitherto competing individual concerns into the single large corporations that we call trusts. Therefore, tracing the genesis of the trust movement backward, step by step, we may find that the expansion of industry brought about, more or less, through the influence of the protective tariff, was one of the primary influences that called it into being.

**Rise of the Tin
Plate Industry**

Those who hold that, to use the words of Henry O. Havemeyer before the United States Industrial Commission in the sum-

mer of 1899, "the mother of all trusts is the customs tariff bill," point to the record of the tin plate manufacturing industry as a conclusive illustration of the truth of Mr. Havemeyer's declaration. Under the stimulus of the McKinley protective tariff, the tin plate industry was started in this country.

In the last half of the year of 1891 we produced in the United States 2,236,743 pounds of tin plate; in the year ending December 31, 1898, we produced 732,290,285 pounds. Each year from 1891 showed an increase in amount of production. When tin plate was on the free list, and we were entirely supplied from England, the price was \$5.10 per box. After the industry had become well established the price fell, until, at one time, it was only \$2.75 per box. In the fall of 1898 the price was \$3 per box.

The history of the industry up to that point was similar to others protected by the tariff in control of the home market, through the exclusion of foreign products. When it had once been successfully established, it attracted capital as an exceptionally promising investment. Many new factories were established; production soon exceeded demand; strong competition set in, and the price was reduced to a figure that made it little, if at all, profitable.

**Consolidation of
Tin Plate
Manufactories**

Naturally, out of this condition of affairs, that threatened to undo all that had been accomplished during the preceding seven or eight years, came a demand for the consolidation of different competing concerns into a single corporation. Immediately this had been accomplished, the price of tin plate went up from \$3 to \$4, and then to \$4.80, the figure that prevailed in 1899.

Unquestionably, this was a large advance, and it was considered in many quarters as unduly high. It must not be forgotten, however, that during the period covered by the operations of the American Tin Plate Company and the increase in the price of its product, there were large advances in the cost of all raw materials, an increase in wages and in other expenses that enter into the cost of production, and that have contributed to the advance in the price of the manufactured article.

To what extent these influences covered the enhanced price, or how much of the addition might be regarded as excessive and a result of a substantial control of the market, is a matter concerning which differences of opinion may be honestly held. But, however that may have been, the inevitable result followed in this case, as it comes in every instance where, whether by combination, monopoly, tariff protection, or for other reasons, any industry has attained to exceptional prosperity and profitableness. Other investors awakened to the opportunity and entered the field. Competition set in again in tin plate manufacturing, and its influence may be depended upon to keep the industry down to normal conditions as regards the price of its product or to bring it to that point again, if so be it may, for specific reasons, temporarily have departed therefrom.

**Results of the
Tin Plate Consoli-
dation.** Speaking of this industry and its operations, Professor George Gunton, in Gunton's Magazine of May, 1899, said: "It is worth noting in this connection that the price of tin plate, with the increase of eleven per cent. in wages, is still \$1.10 (subsequently eighty cents) a box less than it

was when we relied on foreign supply for all our tin plate under free importation. What has really been accomplished is this—the tin plate industry has been transferred to this country; whatever profits there are now go to American investors; the wages expended in that industry are distributed to American laborers; these wages have been increased, since the trust was organized, eleven per cent.; the producers are undoubtedly making a good profit, and still the product is sold to American consumers at \$1.10 a box, or twenty-two per cent., less than before the tariff was adopted and the trust organized.”

Removal of Tariff Duties Dangerous In stimulating American industry to a high degree of activity, and thus encouraging exceptional competition among those enterprises to which the benefit of protection has been extended, the tariff has exercised a powerful influence. On general principles, the remedy for monopoly or constriction of trade will not be found in the limitation of internal competition. So far as the removal of tariff duties might lead to the invasion of the domestic market by foreign trade, and thereby force American manufacturers into closer and less competitive alliances than ever before, the measure would be exceedingly dangerous. As an incentive to new competitive enterprises in all industries that hold out promise of profitable investment, whether they are largely controlled by trusts or not, the protective tariff has its sphere of usefulness. It will be quite time to consider the wisdom of making a change in this economic policy on the ground that it helps trusts when it shall appear that monopoly, restriction of production, and increase of prices have been brought

about through the operations of amalgamated capital.

At this point both protectionists and free traders should be in substantial agreement. Arguments regarding the tariff can be sensibly continued only along lines of general economic theory and practice, as in years past. To use the tariff as a weapon in special attacks upon particular trusts, on account of its fancied advantages to them is a dangerous proposition economically and politically.

CAPITAL AND LABOR

LARGE MANUFACTURING ENTERPRISES REQUIRE THE CO-OPERATION OF THE MOST CAPABLE AND MOST FAITHFUL EMPLOYEES—GENERAL INCREASE IN WAGES A NATURAL CONSEQUENCE—LABOR'S SHARE IN PROSPERITY

Wages as Affected
by Trust
Conditions

Fair wages and steady employment for the working people, who constitute an overwhelming majority of the community, are the imperative conditions of a common prosperity. Whatever can contribute to that end is engaged in an admirable public service. Industry in the United States has shown a remarkable advance in these respects during the hundred years and more of its continuance. We have grown to be a wealthy nation and a nation of contented, prosperous labor. There have been periods of depression, but, on the whole, progress has been steadily onward and upward.

The effect of the trust movement upon wages has been variously discussed, and some divergent conclusions have been reached concerning it. In many quarters there has been more or less apprehension that the increased strength of capital brought about by its consolidation might lead to a tyrannous exercise of power over workingmen. Should this apprehension prove to be well founded, it would be a disaster, compared with which all the other advantages derived from the economic management of business under

trust conditions would fade into insignificance. It is reassuring to find, therefore, from careful investigation of facts, that nothing of the kind has occurred or is likely to transpire.

**Census Figures
Relating to
Industry**

Interesting and conclusive figures were given in the United States census of 1890, showing the expansion of industrial occupations and the coincident increase in wages. These statistics pertained to sixty-four prominent industries, such as boots and shoes, clothing, cotton goods, foundry products, printing and publishing, silk and silk goods, lithographing and engraving, plumbing and gasfitting, musical instruments, iron work, clay and pottery products, and so on. The compilation related to the years 1880 and 1890 in comparison.

In every one of the sixty-four industries there was an increase in the number of laborers employed in 1890, above those employed in 1880. In some instances, the increase was very large, being as high as five or six hundred per cent. In nearly all the industries the number of employees had more than doubled. At the same time there was an increase of wages in every pursuit enumerated, except that of manufacturing watch cases, where there was a decrease of \$8 per year in the average wages paid.

In only eight of the industries was the annual increase of wages less than ten per cent. The lowest per cent. of increase was in the electrical apparatus and supply business, which showed 5.2 per cent., and iron and steel nail manufacturing, which showed 5.8 per cent. Only five other occupations showed less than a twenty per cent. increase. In the remaining fifty there was an increase ranging from 21.8 to 82.2, the latter

figures being attained in the millinery and lace goods business.

There was an increase of 66.1 per cent. in the boot and shoe cut stock industry, 40.4 per cent. in fancy and paper box making, 49 per cent. in brass ware, 60 per cent. in men's clothing, 69.3 per cent. in women's clothing, 48.4 per cent. in envelope making, 47.8 per cent. in glass cutting, 66.5 per cent. in gloves and mittens, 46.7 per cent. in iron work, architectural and ornamental, 53.3 per cent. in jewelry and instrument cases, 62.4 per cent. in lubricating oil, and 67.9 per cent. in watch and clock materials.

**Improved Manu-
facturing Methods
Benefit Labor** This table shows conclusively that improvements in manufacturing methods and the introduction of labor-saving machinery have not had the result of permanently displacing labor, no matter what its momentary effect in individual employments may have been. The period covered by these statistics was as remarkable as any decade that could have been chosen for its readjustment of industry to new conditions, principally through the introduction of improved machinery. Yet, despite that influence, the gross amount of employment was increased to a remarkable degree, calling for the services of a larger number of working people than had ever before been engaged in these occupations.

More than that, this large addition to the army of working people did not result in increased competition between them and a consequent reduction in wages. On the contrary, the demand for labor more than kept pace with the supply and wages advanced. At the same time, it will be noted by those who will look into this subject, that (although this particular

point is not treated in the census report) a further advantage accrued to the workingmen during that period through a reduction in the hours of labor in very many industries. Labor-saving machinery, so far as these statistics show, has, therefore, resulted in giving employment to a larger number of people at increased wages and under improved conditions of work.

**Falling Prices
Associated with
High Wages**

In 1893 the report of the United States Senate in relation to wages and prices was given out, the result of the most exhaustive investigation into the subject that had ever been made. This report reaffirmed the facts set forth in the census report of 1890, and the conclusions derived therefrom. In agriculture, stock raising, and other employments where labor-saving machinery has been least introduced, the prices of articles produced in the period from 1860 to 1891 generally rose from thirty to seventy per cent., and in several instances as much as 100 per cent. Taking those pursuits in which labor-saving machinery has been considerably introduced, the table presented figures of 140 groups of manufactured products. All these showed falling prices, varying from six to forty per cent. and some of them as high as seventy per cent.

If these changes in prices in the two classes of industry—those least employing and those most employing labor-saving machinery—had been associated with corresponding changes in relation to wages and conditions of employment, the figures might not be so significant. But it appears that the lower prices in those industries that have most availed themselves of labor-saving machinery, were also at the same time accompanied by an increase in the number of laborers

employed and in the amount and rate of wages paid.

From 1860 to 1891 average wages rose sixty-eight per cent., while in the period from 1840 to 1890 they rose 204 per cent. This increase was accompanied by a decrease in prices of the necessities of life, so that the purchasing power of the day's work increased over seventy-two per cent. The introduction of labor-saving machinery gave employment to a larger number of working people, increased the rate and amount of wages, and decreased the cost of living.

Continued Im-
provement
in Wage Earner's
Conditions

The dominance of amalgamated capital over industry has in nowise retarded the progressive advancement of the workingman as respects returns for his labor. The facts in the case are simple and can be expressed in a few words.

Wages have continued to rise with as commendable regularity since the trusts became a factor in industry, as they did before. In fact, if any conclusion can be deduced from the labor experience of the last ten years of the century, it is that the workingman has, if anything, profited more from his labor where he has been employed in industries controlled by trust organizations than in any other. It is significant that the trusts doing the most successful business pay the highest wages, and, what is more to the purpose, they pay these wages the whole year around.

Furthermore, workingmen thus employed have found their circumstances so satisfactory that they are more than ever contented, which everybody recognizes is a common good. Many strikes were inaugurated all over the country in the spring of 1900. None of them was in any large industry dominated by trust

organizations of capital, and few of them in any industry even indirectly connected with trusts. This single fact speaks more than volumes of argument concerning the improved relations that are now maintained between the workingman and amalgamated capital.

**Rise of Wages in
Cotton Mills**

Coincident with the recovery of business, after 1896, from the stagnation that had long preceded, and with the marvelous advancement in all branches of industry in the United States, has come an equally marked and gratifying increase in wages. The record is large and constantly growing. It would require many pages to give a complete list of all instances of such improvement in labor conditions at the end of the century. A few striking incidents may be noted as illustrative of the tendency of the day. It must also be remembered in this connection that any decided increase in wages in one industry acts directly upon all other lines in influencing similar advances. That is a well recognized economic principle, and experience has proved its certainty hundreds of times.

One of the most notable examples of the increase in wages in recent times was that secured by the operatives in the textile factories of Fall River, Mass., in 1899. There an advance of ten per cent. was secured after some controversy, though not of a serious character, with the employers. Most of the cotton and woolen factories throughout New England followed the example of those of Fall River. Fully one hundred and fifty thousand employees profited by this advance. Similar action was taken by the factories in the South, where some twenty thousand operatives were affected.

Labor in New
York State in 1899

About the same time there were considerable wage increases on the part of some of the railroad corporations, the window glass manufacturers, the managers of the carrying trade on the great lakes, and in many isolated establishments throughout the country. The printing trade also made demands in various parts of the United States for a uniform nine-hour day, and was generally successful. The growing prosperity of labor in its more complete employment and in its better wages was further illustrated by figures in the December, 1899, bulletin of the Bureau of Labor Statistics of New York State. This showed a gain in the membership of trade unions from 188,455 on June 30, 1899, to 209,120 on September 30, a gain that would not have come save from the increased prosperity of the laborers. It is a well-known fact that in times of labor depression the membership in labor organizations drops off.

During the period covered by the above statistics, a steady increase in per capita earnings all along the line was noted. From the same bulletin it appeared that for the quarter ending June 30, 1899, the number of unemployed union members in the State was 4,788; in 1898, it was 9,734; in 1897, it was 10,893.

Advances in
Wages Made by
Trusts

In February, 1900, an advance of twelve per cent. was made in the wages of the coke workers in the Cornellsville region of Pennsylvania. This was in addition to a previous advance that had been made in May, 1899. During the same time the industry had expanded to the extent of twenty or twenty-five per cent. for the year, and a proportionate number of additional working people had found employment. The increase affected, directly or indirectly, nearly thirty thousand workers.

In March, 1900, the employees of the National Tube Company were notified of a ten per cent. increase in wages, the increase affecting over twenty thousand men in different parts of the United States. This advance followed an increase of ten per cent. that had been given less than six months previously, the action of the company being voluntary in both instances. Thus the wages of labor in that industry became higher than at any previous time in the history of the works. Also in March, 1900, the wages of the workers in the Illinois coal mines were advanced at the same time that an eight-hour working day was inaugurated. The new schedule provided for advances averaging some twenty per cent. in all the different lines of employment in the mines.

These, that have been enumerated, are but isolated instances. A complete compilation of all the increase of wages, especially of those in industries where the consolidation of capital has been most pronounced, will, when it is made, present some astounding figures that must forever put at rest the implication that there is any danger in trusts to the workingman, either in permanent loss of employment, reduction of wages, or in the general conditions pertaining to his social or industrial status. It will be shown that labor has received a substantial share of the profits that have resulted from the establishment of improved methods of working under the new system of industry.

Increased Oppor-
tunities for
Advancement

It is not alone the question of wages that interests the employed class. It is the question of permanent, agreeable employment, and of opportunities for advancement. Under the trust system this is more certainly assured than

under the previous system of smaller independent producing concerns.

The magnitude of the business controlled by amalgamated capital in every particular instance demands for its successful direction talent of the highest order, as well as the perfection of labor. In small corporations, employment either in production or administration may go largely by favor. Family interests may considerably influence the employment, especially in the case of those engaged in the administrative department of the business. There is always a tendency to keep the control of affairs in the hands of the few who have been most closely identified with it, often from its beginning.

In the case of the trust there is no such sentiment. The business is compelled, by the very condition of its existence, largely to ignore personality. It must have as nearly perfect methods of production and perfect administration as it is possible to get from the genius of men. The young man of capacity, ambitious of his future, has more opportunity with a trust organization than with any other concern. A question of ability is almost the only thing thought worthy of consideration. He who shows himself equal to the demands of business about him or above him is more eagerly sought after under the trust system than ever before.

Displacement of Labor Not a Permanent Evil Undoubtedly, the readjustment of industrial conditions, in whatsoever form it may come, results in the temporary displacement of labor. That has been the invariable accompaniment of all industrial progress.

When machinery was introduced in cotton manufacturing at first it took away employment from many

individual workers who had previously performed their tasks in their own homes. Ultimately, however, the added efficiency derived from the use of machinery developed the amount of production and increased consumption. Step by step, and finally, with enormous rapidity, the demand for labor grew beyond anything that had ever before been known in the industries directly involved. In the course of time great improvements were made in the machinery, so that one machine was able to do the work that had previously been done by many hands. Men, women and children were thrown out of employment, but it was not long before the former process was repeated, and the laborers who had been deprived of work for the moment found themselves re-employed in the same or some associated industry, while many more received employment than had ever found place before.

That has been the history of every movement in industrial progress. At the beginning there has been some displacement of labor, some disturbance in the condition of things previously prevailing, but, in the end, there has been more employment and higher wages.

**An Irrefragable
Economic Law**

The student of economic and industrial history will readily recall the excitement that prevailed in England when steam looms and spinning jennies were introduced. The workmen who were displaced organized mobs and went about destroying the machines in order that they might not be deprived of the opportunity of making their living. At that time the spinners and weavers in England numbered less than 8,000. Before the next decade had passed, the very machines that were thus condemned

were furnishing employment to more than 350,000 persons. At the end of the nineteenth century over 2,000,000 people in England alone earned their living, directly or indirectly, through the same instrumentalities.

Hundreds of examples of this economic law will doubtless occur to everyone. In the United States we have been peculiarly situated, by reason of our natural resources, and through our natural mechanical genius, which has enabled us to develop machinery and machinery methods to an extent unequaled in any other part of the world. Again and again it has happened to us, in many an industry, to practically repeat the experience of England in cotton manufacturing.

An Example from
the Printing
Business

Take printing and publishing for example. When the power press superseded the little hand press of a century ago, the same dreadful results were predicted from it, because it threw out of employment many hand workers, on account of its increased facility. When, from time to time, improved presses were introduced, labor was still further displaced, one man being able to do the work that previously had devolved upon several. In the Mergenthaler Linotype machine came another great revolution. These machines do the work, each one, of many hand compositors. Of course, printers were thrown out of employment, just as many pressmen were years before.

What was the ultimate result, however? Almost before the perfecting presses came into general use, and before it was possible to equip all the large printing offices in the country with type-setting machines, labor conditions in the industry began to feel the

effect of improved conditions. By the added and cheaper facilities, afforded through the instrumentality of the new machines, manufacturers were able to attain greater efficiency at a lessened cost of production. Consumption increased even more rapidly than facilities could be devised to meet it. A demand for the employment of labor beyond everything that had been known previously in the industry sprang up. More than that; the influence reacted, as it must always do, upon other industries allied in some way or other to this particular one. As a secondary result, employment was furnished indirectly to many wage-earners who might otherwise have found it more difficult to secure a share in general prosperity. The working-men that have had employment, directly or indirectly, through the introduction of this labor-saving machinery in the printing business are infinitely more numerous than those that were in the beginning displaced. The advance in wages that has also accrued therefrom has been substantial.

Labor Displacement Under Consolidated Capital. What has been true of every other great industrial movement may also be confidently accepted as an outcome of the nineteenth century revolution of capital. Indispensable to consolidated capital is its increased efficiency through economy of production and administration. The desire to reduce expenses has been a controlling influence in this amalgamation of capital, as distinguished from the pools and syndicates that strove only to increase prices.

Reduction of expenses means saving in purchases; the doing of large business instead of small business at practically the same cost in money and effort, and

the discharge of some workingmen and other employees. Without such economy a substantial part of the reason for the organization of these large corporations would not exist. Accordingly, in some instances, employees have, for the time being, been displaced. This has been particularly noticeable in the case of the traveling salesman. Several thousands of these employees have found themselves deprived of their situations. The concerns that they so long represented in the sharpest kind of competition are no longer competing, but are doing business, so far as selling is concerned, in simpler and less expensive ways, and at a cost of the services of one or two men for the combined business, where formerly, perhaps, scores were engaged. Nevertheless, the ultimate result can be predicted with the fullest confidence. Those who have been displaced will soon find greater opportunities than ever before existed for the exercise of their talents. Thus in the end, what may seem to be a present hardship, will prove to be a substantial and lasting advantage.

**Labor Will Always
Profit from Trusts**

Trusts are labor-saving devices. Large corporations, aiming primarily at economy of production, must have the best labor, no less than the best machinery. Every manufacturer knows that there is no economy to him in worn-out or out-of-date machinery. Even though the initial cost of new and improved machines may be heavy, he is obliged to have them, in order to secure the greatest efficiency for his establishment, so as to meet the daily demands of the market and the competition of his rivals.

What is true of inanimate machinery is just as true

of the human machinery in the form of working people. Poor labor is always expensive labor. Labor that is most intelligent and most capable is, in the end, cheapest, even though it is higher priced. The managers of trusts not only recognize this fact, but they accept it as an imperative condition of doing successful business.

We have seen the demand for labor improved and wages increased in all the leading industries of the country during the decade from 1880 to 1890. Official statistics have not as yet been compiled covering the subsequent ten years, but there can be no possible doubt that they will show a continuance of the same state of affairs. Workingmen and others who have kept watch of the movement in industry during the last ten years of the century, know that the conditions of labor have generally improved, so that now they are infinitely better than they were in 1890, while wages have increased during the same period. That the census returns of 1900 will, in this respect, reinforce those of 1890, scarcely admits of doubt.

RECOGNITION OF ORGANIZED LABOR

TRADE UNIONS NECESSARY TO THE PROSPERITY OF THE WORKINGMAN AND ADVANTAGEOUS TO THE EMPLOYER—MODERN INDUSTRIES DEPENDENT UPON UNITED LABOR IN CONJUNCTION WITH UNITED CAPITAL.

The Workingman's
Right to
Organize

In the conditions that pertain to modern industry, organization on the part of the wage-earner has become indispensable. It is more than his privilege, more than his right. It is his necessity; an imperative essential in securing for him the protection and the material and permanent advancement to which as a component part of the world's great army of toilers he is fully entitled. Nor does this concern him alone. It substantially contributes as well to the business advantage of the employing class and to the prosperity of the general public that can be best served only by the existence of harmonious relations between capital and labor.

There is no longer serious dispute about the truth of this proposition. Both employers and employees recognize it and concede its force. It is true that a few economic students still persist in arguing the contrary and in proclaiming against what they call "the tyranny of organized labor." Now and then also some large corporation may make a determined but ineffectual stand against the recognition of a trade union. These manifestations, alike the theoretical and

the practical, are, however, comparatively few nowadays, and are becoming less and less frequent every year. They are but echoes of the old-time feeling and opinion that has well-nigh disappeared; the last feeble struggles against the momentum of an inexorable force.

Organization the Basis of All Prosperity The laws of the economic world are as resistless as the law of gravitation or the laws of evolution. The famous laws of the Medes and the Persians were but as straw compared with them. Opposition to them is as futile as would be opposition to any other laws of nature. Then as well think of turning the course of an Alpine avalanche as to hope for a successful opposition to the principle of organized labor. It would be far easier to sweep back the billows of the Atlantic with Mrs. Partington's broom. All industrial progress that has been worth a thought and every step that the human race has made toward higher civilization has always been accompanied by organization; in fact, it has only been through and by reason of that influence that civilization has ever made any substantial advancement. Unorganized effort has never accomplished great results in the material fields of human activity.

Disappearance of the Individual Worker As an economic factor the independent, individual worker in large and complex industries no longer exists; from the very nature of things he cannot ever again exist. He has forever disappeared along with the home loom and spinning wheel, the family knitting needles, and the shoemaker's bench beside the kitchen fire-place. The introduction of machinery, the utilization of steam, and the consequent development of the factory

wrought a radical change in the status of the working-man. From that moment, the individual laboring by himself, and for himself in full, free competition with all others, and without consideration for the interests of his fellows, became an economic impossibility. The movement thus initiated for gathering single workers into classes has gone forward as steadily and relentlessly as the ice pack of the glacial epoch moved over the continent in ages gone by, until now the individual producer has been practically eliminated and has fallen into place simply as a unit of a great industrial system. To be sure, the individual still retains his personal ascendancy in agriculture, seafaring and some other occupations, but that is all. In most employments the type of industry, the methods of working, and the social life of the laboring class have been completely revolutionized.

**Common
Conditions of
Labor**

Out of these changed conditions the development of organized labor into guilds, trade unions and other associations of like character and purpose has come naturally and imperatively. Professor George Gunton, in a lecture upon *The State's Relation to Labor*, has clearly presented the case in these words: "The great factory methods have made the organization of production inevitable, by which all laborers in a given industry must work under common conditions as to hours of labor, wages and sanitary conditions of various kinds. This is no longer at the individual option of either the employer or the laborer. Bricklayers are a group. They must act in common or not at all. Carpenters, weavers, shoemakers, tailors, are groups; they are parts of an industrial man, not complete industrial individuals. They

never can be that without returning to the simple methods of hand labor and relative barbarism."

**Trade Unions
Must Not Be
Destroyed** Nothing more disastrous to the cause of business as well as to labor could occur than to have the trade unions overcome and destroyed. Now the natural and orderly methods of trade unionism contribute to successful industry. With all their faults—and even their most earnest supporters concede that they have faults—they serve society well. Without them labor would be completely disorganized and industry paralyzed; chaos would follow.

The discontent and uneasiness of labor which is now controlled and directed in ways that work out its own good would be under no restraint. They might even find ultimate expression through the wild and revolutionary uprisings of despairing men that would shake the very foundations of society, and, for the time being, completely overthrow all industry, putting the world back generations in the march of progress. Professor John Graham Brooks has well said: "If the growth of the trust would end in the crushing of the unions it would be a great human tragedy."

**Recognition of
Organized Labor
a Necessity** Since, then, organization has become to labor a condition precedent to prosperity, and a means of industrial self-protection, the question of the attitude of trusts toward united labor is of the greatest importance. It concerns not the workingman alone and his trust employers. It touches the most vital interests of the entire community. It affects thousands of small employers in industries outside the great trusts. It appeals forcibly to unorganized labor. It involves the welfare of the

entire consuming public even more than it does that of any special class.

Perhaps it is too early to answer this question authoritatively and conclusively. Much light can, however, be thrown upon it. No one will venture to dispute that thus far in the history of industrial combinations, workingmen, concurrently with the growth of capitalistic concentration, have secured higher wages and shorter hours, better treatment at the hands of employers, and more consideration individually and collectively.

But there is a point beyond this to which organized workingmen instinctively go. With them improved means of protection is more vital than improved methods of production, important as the latter are. They want some say regarding terms of employment. Even though the trusts may concede higher wages and shorter hours, it is the recognition of the right to make terms through the agency of the union that concerns them most.

Attitude of the
Trusts Generally
Favorable

There is no evidence that the trust operators have any inclination to take a contrary view of the case. Now and then, it is true, distinct warfare has been made upon the unions, as for instance in the great Carnegie conflict that culminated in the Homestead riots of 1892. On the whole, however, no more, and even perhaps less of this disposition is manifested on the part of the trust organizations than has been heretofore exhibited by smaller corporations and individual employers. The growing tendency of modern times has been steadily toward the recognition of the trade union as an irrefutable and permanently established factor in the industrial problem. Not even

the power of all trusts combined can turn back this wheel of progress.

Organized capital must largely depend upon organized labor. Concentration of labor and concentration of capital go hand-in-hand as co-ordinate means of industrial efficiency. A quarter or a third of a century ago it was possible, if not wise, for employers to treat with their workingmen as individuals. That is less practicable now, and in a few years will be wholly impossible. Just as the corporation has taken the place of the individual employer so has the union succeeded to the individual workingman, while industry has gradually reorganized in accordance with the new order of things.

The plain fact is that the growth of the large corporation has strengthened the position of organized labor. Large corporations with millions of dollars of capital involved, and great interests at stake, are in a way even more dependent upon it than are smaller concerns with restricted, and sometimes only local spheres of activity. Stability, smoothness and regularity of industrial procedure are fundamental to their prosperous existence. Deprived of these, they are handicapped at the outset in the contest for supremacy in the marts of the world. So fully is this recognized that some observers have already begun to predict that in the course of time there will be the closest alliance between organized capital and organized labor.

Real Interests of
the Workingman
Preserved

It is sometimes asserted that the conditions surrounding employment in large corporations tend to destroy the laborer's liberty and individuality by making him merely part of a productive machine. In a certain sense, as has already

been pointed out, the individual laborer has really disappeared from the field of industry, and has become merely a unit of a system, a part of some trade union or other association of like character. Nevertheless, he has gained more for himself by the change than he has lost. His entire independence as a worker has, it may be admitted, forever gone. That the possibility of improvement in his individual circumstances and his individual power has also been lost is a mere phantom of the imagination.

No result could be more contrary to the working of the whole system of modern wage labor. Before the wage system began, laborers had less freedom and less individuality than they have since had. Not until long after the wage system came did they acquire any liberty, political rights, or social individuality. By combination with their fellow-laborers, and by, to a certain extent, yielding their individuality to an aggregation for the mutual benefit of the whole, they have practically strengthened and reinforced each individuality, and secured other advantages besides. In respect to wages, hours of labor, social and political influence, the workingmen in those branches of labor that are organized have achieved more for themselves than those in any other group, as, for instance, agriculture.

Things Secured
from Concen-
trated Capital

Freedom and individuality on the part of the laborer depend upon two things, permanence of employment and good wages.

Wherever employment is most permanent, and wages are highest, there labor is most intelligent, has the greatest freedom, and the strongest individual identity. Labor organizations incontestably tend to this condition of affairs; and it is equally true that where

capital is small and employers are poor, less can be accomplished, even through organization, to improve the condition of the employed. No heed how strong a union may be, it cannot so easily prevail against a small employer who is financially unable to accede to its wishes as it can with the larger corporation, which not only can make the concessions that may be asked for, but also finds it to advantage so to do.

Experience has demonstrated that this is the way the proposition works out in actual practice. Where large corporations exist and deal with organized labor, wages are highest, and employment most continuous. In many instances this is because the highest degree of productive economy and the highest efficiency are more effectually guaranteed through the operations of organized labor than they would be in dealing with individual and competing workers. In other cases the result has been secured either because the trade union has been strong enough to enforce its demands or because the corporation fearing the exercise of that influence has anticipated its wishes by voluntarily making the concessions desired. Whichever way it is, the power of the trade union is the factor that has brought it about, and none is more ready to acknowledge this than managers of enterprises that are supported by combinations of capital.

Possible Advan-
tages from Oppo-
sition of Capital

On the whole, perhaps, it might not be altogether to the disadvantage of united labor if consolidated capital should manifest some degree of opposition to its organization. In such a contingency the workers would be stimulated and strengthened. They would be inspired to renewed efforts to maintain themselves in the rights they have already

secured, and in the preservation of their organized existence. Years of struggle and sacrifice made for economic independence have trained and nerved the American toiler for greater trials than he has ever passed through before, if those must needs come.

Every indication at the present time now argues against any such possibility. The contest between organized labor and organized capital may at times be severe, but it is not likely to be serious. If it shall be strong enough to keep the workingman constantly spurred up to safeguard his interests, it would be a wholesome advantage to both sides of the controversy.

**Opinions of
Labor Leaders**

In this connection it is instructive to listen to the declarations of representatives of united labor. Naturally, they understand the situation better than any outsiders. The sentiments of the working people control their judgments, and they have a thorough practical knowledge of the definite effect of the actual workings of any plan or plans that touch wages or the welfare of their organizations. Labor is particularly wideawake in these days regarding its interests, and is quick to take alarm at anything that seems even indirectly to be to its disadvantage. If there is anything in the trust movement that seems likely to inflict injury upon united labor the workingman can be safely depended on to realize it. Therefore, the expressed opinions of labor dealers must be recognized as exceptionally important.

Several of those who are especially entitled to speak for labor were present at the Chicago Conference on Trusts, and their utterances attracted more than ordinary attention. If any expectation had been raised concerning their possible attitude on the subject it was that

they would be found arrayed strongly in opposition to capital in whatever form it might appear. On the contrary, however, they agreeably surprised their hearers by frankly and fearlessly placing themselves at the outset in the position of conceding that large aggregations of capital are inseparable from modern industry. Starting from this premise they did not attempt to cry down the trust, but took the high and wholly defensible ground that the only thing to be considered was how combinations of capital may be treated with or directed so as to be serviceable to the workers as well as to the employers.

Samuel Gompers, president of the American Federation of Labor, said:

State Interference
Not Called for

"But organized labor looks with apprehension at the many panaceas and remedies offered by theorists to curb the growth and development or destroy the combinations of industry. We have seen those who know little of statecraft and less of economics urge the adoption of laws to 'regulate' interstate commerce and laws to 'prevent' combinations and trusts, and we have also seen that these measures, when enacted, have been the very instruments employed to deprive labor of the benefit of organized effort, while at the same time they have simply proved incentives to more subtly and surely lubricate the wheels of capital's combination. For our part, we are convinced that the State is not capable of preventing the legitimate development of natural concentration of industry. All the propositions to do so which have come under our observation would beyond doubt react with greater force and injury upon the working people of our country than upon the trusts. * * * There is no ten-

derer or more vulnerable spot in the anatomy of trusts than their dividend-paying function; there is no power on earth other than the trade unions which wields so potent a weapon to penetrate, disrupt, and, if necessary, crumble the whole fabric. This, however, will not be necessary, nor will it occur, for the trade unions will go on organizing, agitating and educating, in order that material improvement may keep pace with industrial development, until the time when the workers, who will then form nearly the whole people, develop their ability to administer the functions of government in the interest of all."

In conclusion, he ventured the prediction that there would be "no cataclysm, but a transition so gentle that most men will wonder how it all happened."

The Trusts' Great Opportunity Henry White, of New York, general secretary of the United Garment Workers of America, also took a conservative position in regard to the subject. He said:

"The industrial combinations known as trusts have so entrenched themselves in our economic system, that it is not so much a question now as to how they can be suppressed, but what the public attitude should be toward them, and whether or how they should be regulated for the public benefit. They are already a phase of our industrial development, and being here have at least some presumption in their favor, but they are not yet sufficiently established to give them the sanction of time and experience. They have just forced their way into the arena of public activity. The benefits derived by the community from them still requires demonstration, likewise adequate proof as to the dangers attending their existence.

"Simply citing cases showing abuses is no indictment against the method itself. We must distinguish between the use and abuse of a thing, otherwise no human institution could stand. Discrimination is the soul of an argument. While pointing out the evils of trusts we must not forget the serious grievances of competitive business—its limitations, its wastes, its uncertainties. Workingmen are only too familiar with the disheartening reply when asking for an increase of wages, 'Can't afford it on account of competition.' The trust method, at least, changes that situation so far as ability to concede better conditions are concerned."

**Trade Unions Not
Opposed to Trusts** Mr. White declared his belief that the real reason why trusts have grown so wonderfully is because of the American genius for doing things on a large scale, and not because of favoring legislation, tariffs, discriminating railroad rates or other things commonly ascribed. He was confident that "as soon as present industrial tendencies have evolved from their present formative state, there can be no doubt that the American spirit of rivalry would assert itself in competition between great combinations" as it has before existed between the smaller corporations.

Touching upon the feeling of trade unions, he said:

"I feel justified in saying that the general attitude of the trade unions toward the industrial corporations is neither trust nor anti-trust. They have a position of their own. They are not making any leaps in the dark. Hard experience has taught them caution. Trade unions, the creation of modern social evolution, have no quarrel with the progressive forces in society, but they demand for the workers a share in the benefits."

**Trade Unions
Recognized in
Rolling Mills**

Speaking for another branch of organized labor, M. M. Garland, former president of the Amalgamated Association of Iron and

Steel Workers, said:

"Thus far in this new day of trusts the workmen in rolling mills find their inclination is to treat with organization. The annual wage scales and agreement were presented by our representatives and conferences arranged promptly. An advance in wages, ranging from ten to twenty-five per cent. in different departments, was secured, and further advances in wages seems assured by reason of advance in prices of material and product, which is one of our agreements. A number of plants that had been operating non-union and at unfair wages, were unionized by the wage rates applying to them since they had become a part of the trusts.

"I would not be understood to infer that there would not have been an advance in wages if the trust movement had not been on, nor do we think the price of material would have been less, for we note that in branches where trusts do not control the greater rate of advance has occurred in material. That in this country a trust, or the trusts, could long maintain an unnatural or inordinate price for material or product is a remote contingency, for not alone would other capital interested in the consumption of product combine on as large a scale and become their competitor, but the fact remains that there is not an article produced in these modern times, but there are, or can be, adopted several substitutes for it, and the cost, as a rule, will not vary enough to permit any very great or long-lasting extremity to our needs."

Trusts Should be
Utilized
Not Destroyed

John M. Stahl, secretary of the Farmers' National Congress, while sharply criticising trusts in many respects, could not refrain from expressing his approval of the principle upon which they are founded. Among other things, he said:

"I believe that it will be wiser for us, not to seek to destroy it, but to make it our servant. We have the machine; it is for us not to try to smash it, but to discover how best to use it. I believe that anything that increases the productivity of mankind is a good thing and should work good; that if it does not work good, it is not the fault of that thing *per se*; that whatever increases the productivity of human labor gives man more to enjoy and more time for recreation; that it is a good, though to reach the ultimate benefit of the many it may for a time hurt the few, as when a new labor-saving machine for a time throws men out of employment, and therefore the trust ought to be a good thing. If so far it has wrought ten times as much harm as good to the people, as it seems to have done, that is not the fault of the trust, which certainly can exist without being a monopoly, but because it has been misused."

A Capitalist on
Trusts and Labor

Samuel M. Jones, Mayor of Toledo, Ohio, has long been regarded as an advanced thinker upon the labor and social questions of the day. Himself an employer and a large capitalist, his relations with the laboring class have become of the most cordial character. His views concerning the municipal control of city monopolies are well known and his utterances on many occasions have been of a radical character. Naturally he might be looked for

on the anti-trust platform. On the contrary, he also frankly recognizes that trusts are an inevitable outgrowth of modern business conditions, that they have come to stay and that they will be factors for ultimate good to the whole people. In his address at the Chicago Conference he took this reasonably conservative view of the subject:

"The triumph of the trust is one of the marvels of the closing years of the nineteenth century; but they are an economic development, strictly in the line of progress, and our problem is not how to destroy them, but how to use them for the good of all. Like their prototype, the labor-saving machinery constructed of wood and iron, they have come to stay. A labor-saving machine might have great value on account of its producing capacity, but might be so destructive of human life as to make it imperative that it should be so improved that its 'saving' power might be utilized without injury to the operative.

**Industry will not
Move Backward** "Thirty-five years ago I saw a mob of teamsters trying to destroy the first pipe line ever built for the transportation of oil.

They feared that the pipe line was an 'attack upon their craft.' The movement against the trusts rests identically on the same moral basis as the rage of a mob against the pipe line, elevators and labor-saving machinery generally, and I predict that it will have the same result in the end. All the legislation thus far against the trust has been almost as futile as a law against the change in the moon's phases or the ebb and flow of the tides. We are not going back to the individualistic method of production. We are not going to pull down the department stores in order that

the people shall sustain fifty small stores in place of the one department store. If that is what we propose, let us continue the principle; destroy the small stores and turn the business over to peddlers. This will be carrying to logical conclusion the senseless objection to the department store and the trusts.

**The Trust a
Labor-Saving
Machine**

“The trust is preparing the way, showing society the great benefits that may be derived through association in industry and the great economic value of association, both in production and distribution. An invention that lightens the burden of the world’s toilers and makes it possible for one man to do the work of twelve is called a ‘labor-saving machine.’ Does it matter whether the machine is made of wood and iron or composed of organizations and associations of men? If the result is the same it is a labor-saving machine. In this sense the trust is a labor-saving machine.”

SUPERVISION AND REGULATION

VARIOUS IDEAS THAT HAVE BEEN SUGGESTED FOR DIRECTING CONCENTRATED CAPITAL SO AS TO SECURE PRODUCTIVE EFFICIENCY AND TO CONSERVE THE INTERESTS OF INVESTORS—IMPORTANCE OF PUBLICITY

Necessity of Supervision and Regulation

Regarding the necessity of some sort of supervision and regulation of amalgamated capital, it may be frankly admitted at the outset that the question has already gone beyond the debatable stage. Those who have the largest interests at stake in these corporations and are looking forward to the future with the clearest business insight, recognize more completely the truth of this proposition than any one else possibly can. They know that the great industrial force of concentrated wealth, already strong and likely to grow in extended scope and power in the near future far beyond even its present capacities, must be held fully under control.

Naturally, those who are opposed to the contemporaneous movement of capital massing itself in solid phalanxes are particularly insistent upon this point. There is really no substantial disagreement between the most earnest friends and the most pronounced opponents of capital upon the broad, general proposition of supervision and regulation. The latter arguing for what they honestly consider the interests of the

public and the former intent upon the protection of capital and its just treatment and wise direction, as well as upon the best interests of labor and the public, meet, at this point, on a common platform. Differences that exist between the two are, for the most part, merely differences of method and of detail.

Two-Fold Functions of Corporations

Corporations have always been creatures of the State. Originally, under the old English law, they were devised simply and solely for the public good. In later generations the purpose of personal advantage to those who invest in them, has been added to that of public good; thus they have taken on a two-fold character.

Sometimes, it may be admitted, the side of personal advantage in the operations of a corporation may seem to overweight those of public good, or, at least, to manifest that disposition. Nevertheless, a careful study of the subject will show that, despite all other considerations, service to the public, in some degree, at least, can never be separated from the life of a corporation, nor even safely ignored by its managers. As has been frequently expressed on the pages of this volume, that is really the price that it pays for its successful and prolonged existence.

Conceded Right of Government Supervision

Out of the original public nature of corporations came the principle of governmental right to supervise and regulate them. That principle has been firmly established through generations of observance and application. The years that have brought about vital changes in the general character of corporations, their field of operations and their influence upon human affairs, social, political and industrial, have only served to strengthen this as some-

thing, not only infinitely profitable to the community, but also imperatively necessary to the stability of corporate existence.

Government supervision of railroads, for example, has operated distinctly to the advantage of the capital invested therein. At times, of course, hardships may have resulted therefrom, for popular sentiment, which largely controls in such matters, is not always wise, thoughtful and considerate. On the other hand, however, advantages have accrued in a multitude of ways through this agency. It has often protected capital from unreasonable attacks. It has done much to encourage business development by assisting in opening new avenues for profitable enterprise. Frequently it has curbed ill-advised competition. Its general tendency has been altogether toward a healthful condition of affairs for invested capital.

**Supervision and
Its Resultant
Public Good**

What is true of railroads has also been true of insurance companies and of municipal corporations engaged in public utilities.

Invested capital in all those lines of business has been protected in its operations and encouraged and upheld, to its advantage, while at the same time, the public interests have been abundantly cared for. Without going further into details, that has been in general the result of government supervision, State and federal, of those corporations that have certain public or semi-public duties to perform. No one now presumes to dispute the right of this exercise of authority, or even its wisdom. It is acknowledged to be one of the important functions of government and to be altogether for the common good. In fact, in no small degree, the stability and welfare of all business

is dependent upon this paternalism to which it is subject.

**The Principle
Applied to Other
Corporations**

It cannot be too often or too emphatically insisted upon that in principle and in operation contemporaneous aggregations of capital do not materially differ from other large capitalistic organizations that have preceded them. They have in them the same reason for existence and the same possibilities for good. They are subjected to the same dangers and may develop a like possibility for abuse.

Respecting their fields of operation and their business methods they differ largely, as has been frequently shown in this volume, from the corporations that are natural monopolies. In many particulars, however, they are not dissimilar. They are subject to the same economic laws, and are equally as sensitive to public opinion. Being closer to the public, and in nowise under government protection, sometimes they are, if anything, in an even more precarious position than are the corporations of the other class. If supervision and regulation, to the end of harmonizing differences, smoothing the way for rational business development and improving the tone of public opinion, have been found efficacious, through generations of experience, in the case of corporations generally, the same measures may reasonably be expected to show quite as satisfactory results in their application to the new forms of business enterprise.

**Direction,
Not Remedy, is
Needed**

This is not a question of remedies. Using the term remedy presupposes evils that need to be remedied, and thus far that is a pure assumption. Evils may develop from the operations of trusts. Such possibilities always exist in power that

is massed, whether it be of capital, of labor, or of individuals associated together for any one of a hundred different purposes. So far as trusts are now concerned, the evils are, however, more imaginary than real.

No one can yet be certain whether evils will arise, or what may be reasonably predicated of their nature when they may come. The trust itself is not understood. Almost as many different opinions prevail concerning it as there are individuals who have seriously studied it. Its nature, its capacities, its influence and the results that may be expected from it have not yet been removed from the arena of academic speculation.

We are largely in the dark concerning the results that may or may not be attained from the practical working of this new business machinery. Until we can find ourselves assuredly on solid ground, it is idle to talk about finding remedies. What we really mean is the establishing of certain principles and certain methods of procedure, not to remedy fancied evils, but solely to give intelligent and wholesome direction to industrial forces that have in them ample powers to accomplish good for the human race.

Regulation More
than Ever
Demanded

It is not to the interests of the public, it is not to the interests of wage-earners, it is not to the interests of the share-owners, it is not to the interests of the managers of these large corporations that their business operations should proceed in any haphazard, uncertain manner. Modern aggregations of capital have had their birth in the imperative business demand for centralization and more compactness, to the end that greater efficiency may be secured.

Loose, uncertain methods of carrying on large

manufacturing enterprises and in handling large business concerns had most to do with the development of the trust idea. Competition brought about a sort of guerilla practice; we need not say guerilla warfare, although at times it nearly approached that. Out of that chaos arose the stronger force of consolidated capital, as it marshalled itself at the end of the century.

Every one now recognizes that capital, thus freed from a condition that was proving destructive to itself and to the best interests of the public, must, of necessity, proceed straight along the road upon which it has started. More than ever before orderly arrangement, systematic business methods and perfect adjustment to the new business conditions must be part and parcel of all enterprise. The agencies that underlie this movement will naturally force the large aggregations of capital that have resulted therefrom into further rational measures for its own protection and for the development of its usefulness along the line of improved service to the public. This is an inevitable and logical outcome of the trust idea.

Suggestions from
Friends and
Opponents

Suggestions by the score and by the hundred have been made regarding the best methods of meeting this new issue. Naturally many of them have been of an exceedingly radical character. Most people are moved by the disposition to hit a head wherever they see it. It oftentimes appears so much easier to pound vigorously at what is assumed to be an evil, rather than to examine the subject carefully and to devise rational treatment for it. Radical reformers confine themselves almost entirely to demanding that existing trusts shall be disin-

tegrated and the formation of future ones prevented, on the ground that the movement is an artificial and violent subversion of the system of competition that has proved so useful in the past. More friendly investigators come forward with plans for regulation and supervision in various forms, as railroads, insurance companies, factories, and so on, are now in a measure supervised by State and nation.

It would be impossible within reasonable space to review all the suggestions that have been made for treating trusts, and

The Limitation of Profits

such a course is really unnecessary for a proper understanding of this phase of the subject. Varying in infinite minor details, the vast array of propositions can be digested and finally presented in reasonably compact form that shall give a clear idea of general public sentiment on this point. One recommendation is that the government should, by a special tax, appropriate all the net earnings of trust corporations above six or seven per cent., thus removing the incentive for raising prices or securing to the public at large all profits in excess of a fair return upon invested capital. Another proposition is to limit the capital and purposes of corporations and make each shareholder personally liable as a partner. Professor Bemis and others suggest that the tariff on goods made by the trusts should be lowered or removed. Professor Richard T. Ely would prohibit discrimination in railroad rates.

Combination Against Combina- tion

Judge Thompson of St. Louis, as quoted in *The Corporation Problem* by F. W.

Cook, propounds the proposition that the trusts, if it should be found necessary to combat them at all, should be fought with their own weapons. His

idea is an amplification and strengthening of competition. He says:

"If the operation of natural laws does not check the trust movement, the remedy is first to be sought outside of law, outside of government, by individual action, by counter movements of some kind. If capital combines against labor, labor must combine against capital. If manufactures combine against agriculture, agriculture must combine against manufactures. If the common carrier combines against the farmer, the manufacturer, the merchant and the laborer, then all must combine against the common carrier. Meet combination with combination, strike with strike, lockout with lockout, fight the devil with fire. Withdraw all governmental aid, in the form of protective tariffs or otherwise, from combinations which threaten to suppress competition in any trade. * * * Withdraw corporate franchises from every corporation which attempts to suppress competition. * * * If these means fail, level against the individuals—not against the corporations—the machinery of the criminal law."

Over-Capitalization Should be Prevented

Many individuals believe that the prevention of over-capitalization is the most desirable thing to be attained in this connection and will remove all possibility of the trusts being in any way injurious to the common good. The Massachusetts rule that permits no corporation to issue stocks or bonds in excess of a fair and officially approved valuation of assets is brought forward by the economists of this school to show the good workings of such a law. Such eminent public men as ex-Governor Roswell P. Flower, Senator Chauncey M. Depew and others have strongly advocated legal meas-

ures against over-capitalization. Several college professors, notably Professor David Kinley of the University of Illinois, Professor J. W. Jenks and others have taken the same ground.

**The Suggestion
for Federal
Control**

Senator W. E. Chandler of New Hampshire has proposed that the federal government should exercise its full repressive power through interstate commerce regulation, and that, supplementary to this, State Legislatures should place various limitations on corporations, so that they will not be able to acquire monopolistic power. In line with this suggestion of federal control have been various propositions that have been advanced for the incorporation of companies by the federal government. John D. Archbold, of the Standard Oil Company, thinks that with a system of federal incorporation, "under such fair restrictions and provisions as should rightly attach to them, any branch of business could be fairly entered upon by all-comers and the talk of monopoly would be done away with."

William J. Bryan has also placed himself in favor of federal incorporation and control. He has suggested that no corporation without a federal license should do business outside its own State, and even then in no other State, without the license of that State. He would refuse federal licenses to all corporations that have not first proved that they are not over-capitalized and that they do not propose to seek to become monopolies. Professor John Bates Clark of Columbia University would also appeal to Congress for a constitutional amendment prohibiting discrimination in selling prices by corporations, thus putting a stop to underselling. The same authority also says:

"Reforming the tariff, reforming the patent laws, controlling the common carriers, and, above all, securing uniform treatment of all customers by the trusts themselves; this combination of measures constitutes a policy in regard to trusts that, however difficult it may at first be, is possible, because it is in harmony with powerful tendencies that are already working. It appeals to a latent power of competition that even now holds trusts greatly in check. To hold them more in check, and to do it in a natural way, is to solve the problem of trusts."

**Publicity Favored
by Many** Foremost among the suggestions that have been made has been that of publicity. Many individuals seem to have hit upon this thought almost simultaneously, and it has already had the weight of considerable authority in its presentation to the public. W. Bourke Cockran would compel every corporation to make a full report every year of all its business, property, franchises, good-will and assets to the federal government, so that the public shall have full information for its protection against any possible monopolistic wrong.

Under his plan a distinction would be observed between corporations which enjoy no favor from the State and those specially chartered to perform public functions. The former would be permitted to retain their natural manufacturing secrets, while the latter would be allowed to maintain no secrecy whatsoever. An elaboration of this idea of federal publicity is the suggestion that every corporation engaged in interstate or quasi public business, or large enough to control an industry, should be annually subjected to an auditing of its affairs by a commission.

It is worthy of note that this plan of publicity has found lodgement and favorable consideration in the minds of many of those who are personally interested in the large corporations. Within proper restrictions, some of which have just been suggested, it would perform a useful service in insuring greater stability to the business enterprises conducted by these corporations and in increasing the public confidence in them.

**Conclusions of
the United States
Industrial Com-
mission**

This idea of publicity has been put into definite form by the United States Industrial Commission, and a step seems thereby

to have been taken toward its ultimate acceptance in some form or other. Throughout the year 1899 the commission devoted its time almost exclusively to the investigation of industrial combinations. Numerous witnesses were examined, managers of the combinations and their chief competitors, corporation lawyers, representatives of labor interests, students of political economy and others. Statistics were secured both from those connected with combinations and from unprejudiced outsiders, and the trust laws and judicial decisions of the various States were studied.

In February, 1900, the commission presented to Congress a preliminary report embodying some of its conclusions and suggestions. In this report the opinion was expressed that "industrial combinations have become fixtures in our business life;" that "their power for evil should be destroyed and their means for good preserved." It was recommended that the powers of the Interstate Commerce Commission should be extended in order to prevent the evils that arise from freight discrimination, and publicity was especially proposed as best calculated to counteract any ills that

may arise from the operations of the combinations. In detail, the recommendations of the commission as to publicity were as follows:

Publicity and
Methods of Secur-
ing It

"To prevent the organizers of corporations or industrial combinations from deceiving investors and the public, either through suppression of material facts or by making misleading statements, your commission recommend:

"That the promoters and organizers of corporations or industrial combinations which look to the public to purchase or deal in their stocks and securities should be required to furnish full details regarding the organization, the property or services for which stocks or securities are to be issued, amount and kind of same, and all other material information necessary for safe and intelligent investment.

"That any prospectus or announcement of any kind soliciting subscriptions which fails to make full disclosures as aforesaid, or which is false, should be deemed fraudulent, and the promoters, with their associates, held legally responsible.

"That the nature of the business of the corporation or industrial combination, all powers granted to directors and officers thereof, and all limitations upon them or upon the rights or powers of the members, should be required to be expressed in the certificate of incorporation, which instrument should be open to inspection by any investor.

"The affairs of a corporation or industrial combination should be carried on, without detriment to the public, in the interest of its members and under their lawful control. To this end the directors or trustees should be required to report to the members thereof

its financial condition in reasonable detail, verified by a competent auditor, at least once each year; to inform members regarding the method and conduct of business by granting them, under proper restrictions, access to records of directors' meetings, or otherwise; to provide for the use of members, before the annual meetings, lists of members, with their addresses and their several holdings; and to provide, in whatever other ways may be named in the certificate of incorporation, means whereby the members may prevent the misuse of their property by directors or trustees.

"The larger corporations—the so-called trusts—should be required to publish annually a properly audited report, showing in reasonable detail their assets and liabilities, with profit or loss; such report and audit under oath to be subject to government inspection. The purpose of such publicity is to encourage competition when profits become excessive, thus protecting consumers against too high prices and to guard the interests of employees by a knowledge of the financial condition of the business in which they are employed."

Proposed Legislation in New York In the New York Legislature of 1900 an act, called The Business Companies' Act, was introduced, but was not enacted. It was declared by its advocates to be the most complete attempt which has been made to define what is meant by publicity in laws regulating corporations.

The act provided that every prospectus issued with a view of obtaining subscriptions for shares or for bonds in a company organized under the act, should give all details concerning the work of the promoters or directors or the contracts into which they entered in

the organization of the company; the consideration paid for property purchased or acquired; the commissions or awards for subscribing for stock or for procuring subscriptions, and the amount of money to be used for preliminary expenses, that to be reserved for working capital, that to be paid in whatever form to the promoter himself or to those associated with him.

It was further provided that the promoter should not sell any property of his own, directly or indirectly, to the company without disclosing all facts in connection with the transaction. Severe penalties were affixed for any suppression or misrepresentation of material facts.

For Protection of Shareholders Provision was made that the certificate of incorporation should contain a description of the nature of the business; the limitations upon the rights of shareholders; a statement of the rights and duties of the directors, and all other material information. Every contract affecting a stockholder's rights or the value of the shares was to be included in the certificate of incorporation, and these contracts were to be on file in the registered office for a stockholder to examine, or to have a copy.

Going further, the act provided that certificates of stock should contain on their face a notice of any liability upon the stockholder's rights, and that the certificates should state if stock had been issued for property or services, and the proportions of the total stock so issued. The act contemplated that lists of shareholders, with their holdings, should be kept at the office of the company, free to the inspection of every bona fide shareholder, and that every share-

holder should have access to the records of the directors' meetings.

As a further curb upon the directors, it was proposed that in case they refused to call annual meetings of stockholders, their salaries should stop until such a meeting had been held, and that they should be ineligible for re-election if they failed to provide for the shareholders all proper lists of holdings or other information to which the latter were entitled.

**Annual State-
ments of Business**

An annual shareholders' balance sheet was another measure incorporated in the act, intended to give a complete statement of the business of the company, verified by auditors elected by the shareholders, and, in the case of the larger companies, duly qualified and bonded. This balance sheet was not made to include legitimate business secrets of the company, and would be accessible only to shareholders. The duties of the auditors were set forth as being simply to investigate and declare that this balance sheet represented accurately the condition of the business, without giving details contained in the private balance sheet, open only to the directors and officers of the company and to the auditors. In actual operation it was expected that small private corporations, that were not much more than partnerships, would keep this report strictly private, while the information in regard to larger corporations with hundreds or thousands of shareholders, whose stocks are dealt in on the exchanges, would become public property immediately.

**Measures to
Encourage Cor-
porations**

By the terms of the act the corporation tax was reduced from one-eighth of one per cent. to one-fiftieth of one per cent. The

liability of stockholders was limited to the face value of their shares. The directors were given absolute power to fix values for property or for services, for which shares might be issued, but they were compelled to give full publicity of their judgment and action in such matters. Directors were held rigidly to account for fraud or real neglect of duty, but were not, as under the existing laws of New York, made responsible for all the debts of a corporation that might be incurred through the carelessness of subordinates.

Corporations organized under this act were to be privileged to engage in any lawful business except that which naturally comes under the banking, insurance, or transportation laws, provided they did not ignore the requirements of the act regarding publicity. A section gave permission to corporations already organized, or foreign corporations, to take advantage of the new act by meeting the conditions regarding publicity, paying the fees imposed, and filing the proper certificates. The proposed act was made optional, and not compulsory. It was believed that its advantages would become so clearly apparent that many new corporations would promptly avail themselves of it, and that others would, in the course of time, find themselves obliged to fall into line.

Advantages to be Derived from Publicity	There can be no doubt that it is of prime importance to the investing public that there should be the fullest publicity in regard to the financial conditions and operations of corporations. Primarily, this will be a wholesome measure of protection to stockholders, for it gives them the knowledge to which they are justly entitled concerning
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their investments. Its advantage does not end there, however, for in the end it would operate most to the benefit of the corporations themselves.

In no other way can the public interest in corporations be maintained and fresh capital secured, as may be required from time to time. It is an indispensable requisite to the success of any corporation in achieving good standing in the investing community that all the facts essential to a complete knowledge of its financial conditions, and its prospects for business, should be made clear without equivocation or concealment of any kind whatsoever. Figures and facts should be presented so that the investing public, whose capital is sought, may be able to accurately determine the stability and intrinsic value of the securities.

**Voluntary
Publicity Most
Needed** It is important that such conclusions shall be based, not on what the speculation of the stock market reflects, but upon what the annual statement of actual business shows. That this publicity is fully demanded by the situation seems to be already recognized by those who are most interested in and responsible for the prosperity of corporate wealth. Legislation is not necessary to bring it about. It is more likely to come from the voluntary action of the officers and directors of corporations.

Already most of these concerns invite the investment of new capital by putting their shares upon the market. Before long there will undoubtedly come even greater demands for capital than has yet been manifested. Then the corporations that can make the most satisfactory showing for safe investment to those whose financial support they seek will be most successful in securing what they need for carrying on

their operations. Merely for the conservation and advancement of their own interests, all corporations must finally adopt these measures of publicity.

Capital Not Per-
manently Threat-
ened Although most of the suggestions for regulations and supervision carry with them somewhat of a feeling of hostility to aggregate capital, there is little or no call for apprehension on that account. From the point of view of its result, this agitation is healthful. It makes toward judicious adjustment of puzzling problems.

The real danger to combined capital does not lie in the ultimate result of the opposition to it. "The mills of the gods grind slow, but they grind exceeding fine." In the long run, economic law will work out its logical end. Nothing can withstand its progress. The rightness of the principle involved in the centralization of capital is no more questionable than the rising and setting of the sun, and it will prevail.

But however confident we may be of the final attainment of this result, we may be pardoned if we have some anxiety about the immediate present. Little comfort can be derived from the thought that future generations will be in the calm enjoyment of conditions that are the outgrowth of the economic problems of to-day, if, meantime, we, of the present, are compelled to endure the stress of opposition.

ANTI-TRUST LEGISLATION FUTILE

CURIOUS EARLY ENGLISH STATUTES AND DECISIONS AGAINST CORPORATIONS—RECENT NATIONAL AND STATE LAWS AND THEIR EFFECTS—DANGER TO CONCENTRATED CAPITAL EVEN IN AGITATION AND DEAD LETTER LAWS

Predominance of Statute Law in Modern Life Out of the complexities of civilization has grown the imposing structure of modern jurisprudence. In primitive times men were able to manage their affairs by mutual understanding or by the exercise of individual or collective powers of might. As communities expanded and cultivated variety of interests, it became necessary to formulate into legal enactments measures for general conduct and self-protection. These have steadily grown in extent and intricacy until now they constitute the foundation and controlling principle of all society. A large part of the time the wealth and the talent of mankind is devoted to the discussion and creation of laws by national, State and municipal governing bodies, and their interpretation and enforcement by those employed in the administration of justice.

Law as expressed on the statute books has become a fetich. Already seriously-minded men are beginning to ask if we are too much governed, and among the few a call for less legislation is every year growing stronger and more persistent. As yet, however, there

are only slight indications of any widespread dissatisfaction or any great public demand for turning away from, or even modifying, the practices that have been the ruling conduct of mankind for thousands of years.

**Exaggeration of
the Usefulness
of Law**

Legislation is more than ever regarded as the panacea for all the ills, political, social or industrial, that mankind is heir to. When any considerable portion of the public feels that something new has arisen that is harmful, or threatens to be harmful, to its interests, legislation is promptly and urgently demanded.

It makes no difference whether the apprehended evils are real or imaginary. They may be the result of disordered reasoning; they may arise from the foolish fears of the timid, distrustful of the motives and actions of their fellow-men; they may be the product of a profound ignorance of the character and the operations of natural laws. The outcome is the same. Forthwith there are fervent appeals to Parliament, to Congress, to Legislature, that something shall be done, and done quickly, to ward off the impending disaster that, it is declared, threatens the very foundations of society.

**Efforts to Control
Industry by
Legislation**

In no particular has this unreasoning demand for legislation and a childlike dependence upon its hoped-for efficacy been more conspicuously displayed than in the purely business relations of men to each other. There have been times in the history of the world when the let-alone principle has for brief periods prevailed, when public sentiment and public policy encouraged each man to work out his own industrial salvation, in full and free competition, unhampered by any artificial limitations. These instances have been exceptional, however.

Most frequently, legal procedure has been promptly invoked to restrain men in their ordinary occupations if their fellows have feared that the rights, privileges or opportunities of others were threatened or appeared to be threatened. History is full of examples of this antagonistic attitude of the masses toward individuals or groups of individuals who have attempted to lead the way in industrial advancement.

**Statutes Against
Economic Law**

Society is conservative. It clings to old ways long after these have lost usefulness.

It dislikes to move out of ruts and looks askance at anything new until the new has fully demonstrated its practicability and its beneficence. Statutes have been demanded and enacted against every great industrial change that has marked the progress of the world. Statutes have again and again attempted to interfere with the operations of economic laws governing industry; their success has been no greater than that which crowned the efforts of the misguided buffalo who attempted to stay the course of the railroad train rushing across the Western plains.

The statute books of England and the United States have bristled with enactments in restraint of trade. Those of a hundred years ago are amusing in the light of events since their day. Writing of the opposition that was once made to the introduction of stage-coaches in England, Macaulay said: "We smile at these things. It is not impossible that our descendants when they read the opposition offered by cupidity and prejudice to the improvements of the nineteenth century may smile in their turn." Some of us are already smiling. We are not leaving that delectable enjoyment altogether to our descendants.

Early English
Legislation
Against Trade

Before the middle of the sixteenth century legislation in restraint of trade began to make its appearance upon the statute books of England. Industry had scarcely arisen in Great Britain before those who were not industrious started to inveigh against it and to invoke the protection of consolidated authority. A statute of the reign of Edward VI. numerates "regrating, forestalling and ingrossing" as venial offenses.

A forestaller, in the parlance of the time, was a person who bought goods when they were on the way to market, thus forestalling the less enterprising would-be purchasers who waited at the market for the goods to be brought there. A regrater was a man who bought in market certain food products and victuals that had been brought there to be sold, and sold the same again at an increased price in the same market or any other market within four miles therefrom.

An ingrosser was one who obtained, "by buying, contracting or promise-taking, any grain, butter, cheese, fish, or other dead victuals whatsoever," with intent to sell again. In other words, the statutes were aimed against any individual who essayed to trade in food supplies which he had not himself produced.

Statutes Against
Regrating, Fore-
stalling or
Ingrossing

An enactment of 1552 against offenses of this character read: "Albeit divers good statutes heretofore have been made against forestallers of merchandises and victuals, yet for that good laws and statutes against regraters and ingrossers of the same things have not been heretofore sufficiently made and provided, and also for that it hath not been perfectly known what person should be taken for a forestaller, regrater or ingrosser, the said statutes

have not taken good effect, according to the minds of the makers thereof, etc.”

Severe penalties were affixed for offenses under this statute. He who was convicted for a third time was condemned to sit on the pillory, to forfeit all his goods and to remain in prison during the King's pleasure. Many other statutes were also enacted in the restraint of trade at the same period. One example will suffice to show the frivolousness of this legislation as it appears to us at this day. This was “an act for stuffing of feather-beds, bolsters, mattresses and cushions.” It began in this way: “For the avoiding of the great deceit used and practiced in stuffing of feather-beds, bolsters, pillows, mattresses, cushions and quilts.”

Unique Decisions
from the
English Bench

Many persons were made amenable to these statutes against forestalling, regrating and ingrossing and prosecutions were numerous. Judgment was uniformly pronounced against them, and the decisions of such judges as Lord Eldon and Lord Kenyon scored the offenders as though they were guilty of the most heinous offenses. The laws remained upon the statute books of England until the time of George III., when they were repealed.

Even later than that date, however, in 1800, a man by the name of Rusby, who bought 250 bushels of oats, which he sold at a profit of six cents a bushel, was arraigned for the offense of regrating. He was tried before Lord Kenyon, who decided that, although the specific laws had already been repealed, his acts were common-law offenses. Part of Lord Kenyon's charge to the jury was as follows:

“Even amongst the laws of the Saxons are to be found many wise provisions against forestalling and

offenses of this kind, and those laws laid the foundation of our common law. That it remains an offense nobody has controverted. * * * Speculation has said that the fear of such an offense is ridiculous, and a very learned man, a good writer, has said you might as well fear witchcraft. I wish Dr. Adam Smith had lived to hear the evidence of to-day, and then he would have seen whether such an offense exists, and whether it is to be dreaded. If he had been told that cattle and corn were brought to market, and then bought by a man whose purse happened to be longer than his neighbor's, so that the poor man who walks the streets and earns his daily bread by his daily labor could get none but through his hands, and at the price he chose to demand; that it had been raised three pence, six pence, nine pence and more per quarter, on the same day, would he have said there was no danger from such an offense?"

Under this decision of Lord Kenyon convictions long continued to be secured in the courts. Men who bought grain to sell again, as jobbers, brokers or wholesalers now do, were prosecuted and often convicted and punished. It was not until the reign of Victoria that an end was put to these legal practices by a sweeping repeal of the statutes.

Statement of an Impartial Historian Speaking of these early English statutes and of the attitude of the people of Europe toward the expansion of industry and commerce, the historian, Buckle, has said:

"Every European Government which has legislated respecting trade has acted as if its main object were to suppress the trade and ruin the traders. Instead of leaving the national industry to take its own course,

it has been troubled by an interminable series of regulations, all intended for its good, and all inflicting serious harm. To such a height has this been carried that the commercial reforms which have distinguished England during the last twenty years have solely consisted in undoing this mischievous and intrusive legislation.

"It is no exaggeration to say that the history of the commercial legislation of Europe presents every possible contrivance for hampering the energies of commerce. In every quarter and at every moment the hand of government was felt—bounties to raise up a losing trade and taxes to pull down a remunerative one; this branch of industry forbidden and that branch of industry encouraged; laws to regulate wages, laws to regulate prices, laws to regulate profits, interference with markets, interference with manufactories, interference with machinery, interference even with shops."

Another Old
English Statute

As late as the time of George I.—early in the eighteenth century—the following law against corporations was placed upon the statute books of England:

"Whereas, it is notorious that several undertakings or projects of different kinds have, at some time or times been publicly contrived and practiced, or attempted to be practiced, which manifestly tend to the common grievance, prejudice and inconvenience of great numbers of your Majesty's subjects in their trade and commerce, and their other affairs; and the persons who contrive or attempt such dangerous and mischievous undertakings or projects, under false pretences of public good, do presume, according to their own devices and schemes, to open books for public sub-

scriptions, and draw in many unwary persons to subscribe therein toward raising great sums of money whereupon the subscribers or claimants under them do pay small proportions thereof, and such proportions in the whole do amount to very large sums, * * *

"And whereas in many cases the said undertakers or subscribers have * * * presumed to act as if they were corporate bodies, and have pretended to make their shares of stock transferable or assignable, without any legal authority, either by act of Parliament, or by any chapter from the crown for so doing; * * * and many other unwarrantable practices (too many to enumerate) have been and daily are and may hereafter be contrived, set on foot, or proceeded upon, to the ruin and destruction of many of your Majesty's good subjects, if a timely remedy be not provided; and whereas it is become absolutely necessary that all public undertakings and attempts, tending to the common grievance, prejudice and inconvenience of your Majesty's subjects in general, or great numbers of them, in their trade, commerce or other lawful affairs, being effectually suppressed and restrained for the future, by suitable and adequate punishments for that purpose to be ascertained and established."

**Similarity of
Ancient and
Modern Ideas**

If some modern anti-trust orator should declaim the foregoing statute from the platform where quotation marks are undiscernable, there would be little suspicion that he was simply echoing a declaration of the Old World nearly two hundred years ago. So closely does the modern opposition to corporations follow the sentiments and the expressions of generations long gone by.

**Early Opposition
to Corporations**

Throughout the eighteenth century opposition to corporations in England was notably conspicuous. The disposition of the people was entirely against them and the English statute books and the decisions of the courts exhibited manifold attempts to repress them. One statute declared that where there was no act of incorporation, the practice of making subscriptions for commercial undertakings with the certificates of subscribers transferable, was a common nuisance.

Under this law an indictment was found against a number of individuals who organized a club to raise money by paying in a monthly instalment in order to build houses for one another. The learned judge in passing upon this indictment said that such a business proceeding was calculated to put down industrial competition that was most advantageous to the public. Beginning with Lord Eldon, the courts of England long held that companies with large capital arising from numerous small contributions, were injurious to the public and illegal. For a considerable period even the formation of partnership associations for purposes of trade was prohibited under severe fines and penalties.

**Legislation in the
United States**

In the United States we have patterned closely after England, both in common and in statute law and in judicial decisions. In the early history of the country enactments in restraint of ordinary trade were sufficiently numerous, although the tendency on this side of the Atlantic was not as strong in that direction as it was in the mother country. The prevailing disposition was more toward individual freedom of action than it was among our English ancestors.

At the same time there gradually came about a disposition to hamper the individual in various small ways, lest he should unduly take advantage of his fellow-men in business operations. This inclination often took the form of petty restrictions and various regulations touching qualities of goods and trade between different sections of the country. It never amounted to a great deal, and it is not too much to say that, broadly speaking, law in the United States never seriously exercised itself in restraint or direction of trade.

Of course, in a certain sense, the tariff legislation that has been a feature of the industrial progress of the country for nearly a century, may be justly regarded as legislation touching trade, but its avowed purpose to build up the industries of the country places it in a class entirely different from legal enactments designed to restrain or regulate domestic industry and enterprise. We may safely leave out of consideration the subject of tariff legislation as something foreign to the scope of the present argument.

A Decade of Anti-Trust Enactments It was not until the last decade of the nineteenth century, when the trust problem had assumed large proportions, that there was any serious attempt in the United States at legislation that could be fairly called in restraint of methods of trade, or that was so intended.

In February, 1887, Congress passed the first act for the regulation of interstate commerce, thus asserting its constitutional power over national industry upon the ground of its interstate, as distinguished from its purely local character. Two years later the State of Maine enacted a statute that prohibited, in general

terms, trusts and other trade combinations that might be contrary to public policy. In 1890, Congress passed the Federal anti-trust enactment, that is generally known as the Sherman Law.

Following close upon these Congressional and Legislative actions, other States and territories, as well as the Dominion of Canada, placed anti-trust laws upon their statute books before the close of the year 1899. Several States have anti-monopoly provisions in their constitutions, but fully a third have either manifested a disposition to rely upon the principles of common law in the treatment of trusts and monopolies, or else have definitely declined to consider at all the advisability of any legislation.

**Federal
Anti-Trust
Legislation**

The so-called Sherman anti-trust act of July 2, 1890, constitutes the only practical federal legislation on the subject of trusts, monopolies and combinations. The act makes illegal and prohibits, under penalty of a fine not exceeding five thousand dollars, or imprisonment not exceeding one year, or both, "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations," and every attempt "to monopolize any part of the trade or commerce among the several States or with foreign nations." This language is calculated to create the impression that every trust, combination and monopoly which, in the course of its business dealings, engages in commerce in more than one State, is within the prohibitions of the act. But further consideration demonstrates clearly that this is not the fact. The phrases "among the several States" and "with foreign nations" are copied from the commerce

clause of the Constitution, which declares "the Congress shall have power to regulate commerce with foreign nations and among the several States." Long before the passage of the Sherman act, long before the modern trust had made its appearance, this commerce clause had been the subject of repeated judicial consideration, and the phrase "commerce among the several States," had become fixed and crystallized as equivalent to "commerce between the several States"—those acts, dealings and transactions directly involved in effectuating the transfer of persons, property or value across one or more State lines; in short, "interstate commerce," as distinguished from "that commerce which is completely internal, which is carried on between man and man in a State or between different parts of the same State."

**Anti-Trust Legis-
lation by
Individual States**

In the several individual States of the Union anti-trust legislation did not follow closely or forcibly the action of the Congress. Enactments in the early nineties, and for two or three years previously, were, for the most part, inconsequential. The public scarcely realized at that time what trusts were or how they ought to be dealt with. Public opinion had not been stirred up very strongly against them. Most attempts at legislation were of a tentative character. Legislatures were feeling their way, being impelled to do something, but not knowing exactly what might be the best and safest thing to do.

By far, the greatest portion of the strong anti-trust legislation belongs to the last half of the closing decade of the century. Where it was initiated earlier than that, it was amplified, modified or strengthened in the later period. A brief recapitulation of the essential feat-

ures of this State legislation will, no doubt, be found interesting, as indicating to a considerable degree the trend of public opinion during the decade.

**Alabama's Law
Against Insurance
Combinations** In Alabama anti-trust legislation has been confined to a law prohibiting combinations in insurance companies for fixing and maintaining rates. This was approved in February, 1897. According to the preamble of the statute it was enacted "against combinations, conspiracies and agreements between insurers, whereby rates of insurance are raised or fixed by such practices * * * in order to suppress such combinations, conspiracies and agreements to the end that competition in business shall alone make such rates." It is provided that the parties insured may recover twenty-five per cent. over and above actual loss or damage in any case, provided that it shall be shown that the insuring company was in any way connected with any tariff association or was working with any understanding respecting rates with other insurers.

**Drastic Provisions
of the Arkansas
Law** In March, 1897, the Legislature of Arkansas passed an act to prevent combinations of trusts and corporations, in which it was declared that all arrangements tending to restrain free competition in the trade in articles of domestic growth or domestic raw material were against public policy, unlawful and void. Violation of the act was punished by a fine of from \$500 to \$2,000, or by imprisonment in the penitentiary from one to ten years. The act did not apply to agricultural products nor live stock, and the right was given to any person injured by any such trust or combination to sue for and recover the amount paid for any goods purchased therefrom.

In March, 1899, this act was superseded by "an act providing for the punishment of pools, trusts and conspiracies, to control prices and as to evidence and prosecution in such cases." This act defines in the most exhaustive manner what should be regarded as constituting a pool, trust or understanding. It is made to cover every combination of any kind whatsoever, to regulate or fix the price "of any article of manufacture, mechanism, merchandise, commodity, convenience, repair, any product of mining or any article or thing whatsoever, or the price or premium to be paid for insuring," and so on.

The penalty for violation of the act is a fine of not less than \$200 nor more than \$5,000 for every such offense, every day that any such agreement should be continued being regarded as a separate offense. The law further provides that any domestic corporation violating the provisions of the act, shall forfeit its corporate rights and franchises, or if a foreign corporation shall be denied the privilege of continuing business in the State. Provision is made for securing annual affidavits from the president, secretary or treasurer of incorporated companies doing business in the State, to the effect that they have not entered into any combinations in violation of this law.

**The Law of the
State of Georgia**

The State of Georgia has an act that was passed in December, 1896. It declares unlawful and void all arrangements, contracts, agreements, trusts, or combinations made with a view to lessen, or which tend to lessen, free competition in the importation or sale of articles imported into the State, or in the manufacture or sale of articles of domestic growth or of domestic raw material; all arrange-

ments, contracts, agreements, trusts or combinations between persons or corporations designed, or which tend to advance, reduce or control the price of such product or article to producer or consumer of any such production or article; provides for the forfeiture of the charter and franchise of any offending domestic corporation; prohibits every offending foreign corporation from doing business in the State; requires the Attorney-General to institute legal proceedings against any corporations violating the act, and to enforce the penalties prescribed.

A fine of from \$100 to \$5,000 and penitentiary imprisonment of from one to ten years is provided as punishment for any person violating the act.

Iowa Sets a
Pattern for Other
States

The Legislature of Iowa passed an act that was approved by the Governor in May, 1890, "for the punishment of pools, trusts,

combinations and conspiracies." Its definition of what constitutes conspiracy under the terms of the statute does not materially differ from those of Georgia or Indiana and may have been a pattern for those States. It provides that any corporation, partnership, individual or association that shall enter into any agreement to fix or limit the amount or quantity of any article to be manufactured, raised, produced or sold in the State shall be deemed and adjudged guilty of a conspiracy to defraud. Corporations are prohibited from issuing or owning trust certificates or from placing their affairs in the hands of trustees with intent to limit or fix the price or lessen the production of any articles. Corporations or associations violating the act are punishable by a fine of from one per cent. to twenty per cent. of the capital stock or amount in-

vested in the company, and individuals are punishable by a fine of from \$500 to \$5,000 and may be punished in addition by imprisonment for one year or less.

**Early Legislation
in Michigan**

The law of the State of Michigan was passed in 1889. The first section of the statute provides that all contracts, agreements, understandings and combinations entered into by any parties with the purpose to limit, control, or in any manner to restrict or regulate production in any branch of mining, manufacture, agriculture, business or labor, or to increase or regulate market prices, or to prevent or restrict free competition, shall be illegal and void, and that every such contract or agreement shall constitute a criminal conspiracy. Any individuals engaging in any such agreements are deemed a party to such conspiracy and are punishable by a fine of from \$50 to \$300 or by six months' imprisonment, or by both fine and imprisonment. Domestic corporations violating the act thereby forfeit their charters. Agricultural products or live stock, while in the hands of their producers or raisers, are not held under the provisions of the act, and labor societies and organizations are especially exempted.

**Severe Penalties
of the Illinois
Law**

The original anti-trust statute for the State of Illinois was passed in 1891 and was amended in 1897. It is entitled "an act to provide for the punishment of persons, co-partnerships or corporations forming pools, trusts and combines," and forbids the combination of corporations organized under the laws of that or any other State or any association of persons for the purpose of regulating or fixing the price of any article of merchandise or commodity, or entering into any pool, agree-

ment, contract, or combination, to fix or limit the amount or quantity of any article, commodity or merchandise to be manufactured, mined, produced or sold in the State.

Violation of this act comes under the head of conspiracy, and a guilty corporation may be punished by a fine of not less than \$500 nor more than \$2,000 for the first offense; a fine of from \$2,000 to \$5,000 for the second; from \$5,000 to \$10,000 for the third offense, and \$15,000 for each subsequent offense. Individuals or officers of corporations, firms or associations violating this act may also be fined from \$200 to \$1,000 or imprisoned in the county jail, or both.

First State Anti-Trust Law

The State of Maine has the credit of enacting the first anti-trust law that was put upon the statute books of any State. It was

passed in 1889 and is of sweeping character. It provides that "it shall be unlawful for any firm or incorporated company, or any number of firms or incorporated companies, or any unincorporated company, or association of persons or stockholders organized for the purpose of manufacturing, producing, refining or mining any article of product which enters into general use and consumption by the people, to form or organize any trust, or to enter into any combination of firms, incorporated or unincorporated companies or association of stockholders, or to relegate to any one or more board or boards of trustees or directors the power to conduct and direct the business of the whole number of firms, corporations, companies or associations which may have formed, or which may propose to form, a trust, combination or association inconsistent with the provisions of this section, contrary to public policy."

**Provisions of the
Kentucky Law**

The State of Kentucky has an anti-trust statute that was passed in 1890. It is designed to prevent the establishment of pools, trusts and conspiracies. It provides that no corporation, partnership, company, firm, individual or association shall enter into any agreement with other corporations, partnerships or associations for the purpose of regulating or controlling or fixing the price of any merchandise, manufacture or articles of property. Offenders of the act are deemed guilty of the crime of conspiracy.

Corporations are forbidden to issue, own, have or sell trust certificates or to put the control of any part of their business or products in the hands of trustees. Any offending corporation is subject to a fine of from \$500 to \$5,000, and any individual offender is subject to similar fines or to from six to twelve months' imprisonment or to both penalties. Contracts in contravention of the act are declared to be void, and purchasers from any such corporations or firms or individuals are not held liable for the payment of the goods that they obtain. Forfeiture of charter, franchise and corporate existence is further provided for in case of offending corporations.

**From the
General Statutes
of Mississippi**

In 1892 the enacted code of the general statute laws of the State of Mississippi was adopted, and in 1897 was amended. The anti-trust legislation of the State is contained therein. One section of this code defines a trust and combine as "a combination, contract, understanding or agreement, expressed or implied, between two or more persons, corporations or firms or associations of persons, or between one or more of either with one or more of

the others" in restraint of trade to limit, increase or reduce price, production or output, to hinder competition, to increase or forestall a commodity, to issue or hold certificates of stock of any trust or combine, to place the control of business in the power of trustees or to unite to pool interests."

Any such action is declared to be a criminal conspiracy. Those engaged in husbandry, in dealing with their own commodities, and also labor organizations, are exempted from the provision of this act. An offending domestic corporation forfeits its charter and offending foreign corporations forfeit their rights to do further business in the State.

**The Famous Law
of Missouri**

The State of Missouri has been particularly conspicuous for its drastic anti-trust legislation. The original measure of that State was in the revised statutes of 1889. A stronger statute was passed in 1891 and this was amended in 1895 and in 1897. The first section of the act provides in the most sweeping terms against any pools, trusts, agreements or understandings for regulating or fixing prices or insurance rates. Entering into any arrangement for dealing in any particular article to the exclusion of other and competing articles is declared to be an act of conspiracy to defraud. The issuing or owning of trust certificates or the placing of business in the hands of trustees is also prohibited.

A penalty of from \$5 to \$100 for each day of violation of the act is decreed; contracts or agreements made in violation of it are declared void; purchasers from any offending individual or corporation are freed from any claim for goods that they have bought; offending domestic corporations forfeit their corporate

rights and franchises, and offending foreign corporations are refused permission to do further business in the State.

It is also specifically provided that whenever the rights of a corporation shall have been thus forfeited it shall be a felony for any one to deal in any article made by the successor or assigns of any such corporation. The penalties provided are imprisonment in the penitentiary for a term not exceeding three years, imprisonment in jail not exceeding one year, or a fine of \$100 to \$1,000, or both fine and imprisonment. Corporations are compelled to make yearly affidavit whether they have done any business in the State with any trust or combination. Five additional acts were passed by the Legislature of 1899. These were principally for the purpose of strengthening the original statute and improving the methods of procedure under it.

Miscellaneous Provisions of the Texas Law Texas has a statute that rivals that of Missouri in its sweeping, stringent provisions. It enacts that any corporation, partnership, individual or association that shall become a party to any pools, trusts or understandings to regulate or fix prices of any commodity, or the price of premiums for insurance, or to fix or limit the amount or quantity of any commodity or premium, shall be deemed and adjudged guilty of a conspiracy to defraud. Monopoly is defined to be "any union or combination of capital, credit, property, assets, trade or custom, skill or act, or of any other valuable thing whereby any one or more of the things prohibited by this act are accomplished or sought to be accomplished or which tend to produce results herein prohibited."

The act prohibits manufacturers from selling at less than cost or giving away any article made from raw material produced in the State, for the purpose of injuring competitors; prohibits pools to control prices or to boycott competitors; forbids any news association to withhold its news from any publisher, because he is not a member of such association; requires every owner of a patent relating to any raw material produced in Texas to place the same on the market so that no monopoly shall exist and prohibits the sale or delivery or disposition of any articles manufactured within the State or elsewhere in violation of the act. Severe penalties are attached.

The Laws of New York and Ohio 7, 1897, and provides that every contract, agreement, arrangement or combination, whereby a monopoly may be created or competition restrained or prevented, is against public policy, illegal and void. The penalty fixed for violation of statute in the case of a natural person is a fine not exceeding \$5,000, or imprisonment, not longer than one year, or by both fine and imprisonment. For a corporation, the punishment is a fine not exceeding \$5,000.

The statute of Ohio was enacted in 1898. It enters into a detailed definition of what constitutes a trust and provides for criminal penalties and civil damages and the punishment of corporations, firms, persons or associations. A trust is defined as a combination to create or carry out restrictions in trade or commerce, to limit or reduce production, to increase or reduce rates, to prevent competition, to fix standards by which to control prices, or make any contracts or agreements that shall preclude free and unrestricted

competition. Forfeiture of charter in the case of domestic corporations and of the right to do business in the State in the case of foreign corporations is provided. The punishment for violation of the law is a fine of from \$50 to \$5,000, or imprisonment from six months to one year, or both.

**The Laws of
Nebraska, Kansas
and Montana**

The compiled statutes of Nebraska for 1895 contained a law relating to trusts. This was repealed by the act of April 8, 1897.

Section one of the later act defines a trust as "a combination of capital, skill or goods to fix the price of any article or commodity of trade with intent to prevent others from conducting or carrying on the same business," or a combination to create restrictions in trade, to limit or reduce production of prices, to prevent competition in insurance or manufacture, transportation, and so on, or to control wholesale or retail prices in any manner whatsoever.

"An act defining and prohibiting trusts," passed by the Legislature of Kansas in 1897, designates a trust as "a combination of capital, skill or acts, by two or more persons, firms, corporations or associations of persons, or either two of them" to create or carry out restrictions for the full and free pursuit of business, to increase or reduce the price of merchandise or to control the rate of insurance, to prevent competition in manufacture, transportation, or buying and selling, to fix any standard whereby price shall be controlled or established or to enter into any agreement not to sell or manufacture or to keep a price at a fixed figure or to do anything to preclude free and unrestricted competition.

In Montana the law which is found in the Penal

Code of the State, provides in general terms very similar to that of most States against the organization of trusts or the making of agreements in any form whatsoever to restrict production, control prices, to create monopolies, or to interfere with free competition. The penalties for violation of the act are, imprisonment in the State prison for not exceeding five years or a fine not exceeding \$10,000, or by both fine and imprisonment.

Minnesota and
Indiana

In 1891 the Legislature of Minnesota passed an act to prohibit pools and trusts.

This statute decrees that no corporation, partnership or individual shall become a party to any agreement "to regulate or fix the price of oil, lumber, coal, grain, flour, provisions, or any other commodity or article whatever," or "to fix or limit the amount of any commodity or article to be manufactured, mined, produced or sold in the State." Any offending person or corporation is deemed guilty of a conspiracy to defraud and is subject to a fine of \$100 to \$5,000.

The Indiana law bearing upon this subject is almost identical in its terms and provisions with the anti-trust statute of Georgia. It was enacted in March, 1897. It provides for the forfeiture of the charter and franchise of any domestic corporation violating the provisions of the act and prohibits every foreign corporation that may have so violated from doing further business in the State. Violation of the act is declared to be "destructive of full and free competition and a conspiracy against trade and persons who engage in any such conspiracy, or who shall in any capacity whatever knowingly carry out any of the purposes herein prohibited, shall, on conviction, be fined from \$100 to \$5,000 and imprisoned in the penitentiary

from five to ten years." The act does not apply to agricultural products while in the possession of the producer or raiser.

Louisiana and
New Mexico En-
actments

The law of the State of Louisiana that was approved in July, 1892, provides that it shall be unlawful to "create or carry out restrictions in trade, to limit or reduce the production or increase or reduce the price of merchandise, produce or commodities, to prevent competition in manufacture, making, transportation, sale or purchase; * * * to fix any standard or figure where price shall be in any manner controlled or established, or to make or enter into or execute or carry out any contract, obligation or agreement of any kind or description," not to sell below a common standard or to keep the price at a fixed figure, or in any way to preclude free and unrestricted competition.

The anti-trust statute of New Mexico was approved February 4, 1891. It declares to be illegal any and every contract or combination "which shall operate to restrict trade or commerce or control the quantity, price or exchange of any article of manufacture or product of the soil or mine." Violations of the law are punishable by a fine not exceeding \$1,000 nor less than \$100, and by imprisonment at hard labor not exceeding one year, or until such fine has been paid. Monopoly and attempt at monopoly are decreed to be misdemeanors.

Constitutional
Provisions of
Idaho and Wash-
ington

The provision of the State of Idaho against trusts is contained in the State Constitution that was adopted in August, 1889. Article eleven of this Constitution provides that railroads and express companies shall be subject to legislative con-

trol and that any association or corporation shall have the right to construct and operate railroads in the State, thus opening transportation within the State to free competition. It also provides against discrimination in charges or facilities for transportation of freight or passengers. In regard to corporations in general the Constitution declares that no incorporated company or association shall combine with any other incorporated company in any manner whatsoever for the purpose of fixing the price or regulating the production of any article of commerce or of produce of the soil, or of consumption by the people.

The State of Washington has no statute law in relation to trusts. The constitution of the State provides that "monopolies and trusts shall never be allowed in this State and that no incorporated company, co-partnership or association of persons in this State shall directly or indirectly combine or make any contract with any other incorporated company, foreign or domestic, through their stockholders or the trustee or assignees of such stockholders or with any co-partnership or association of persons or in any manner whatever for the purpose of fixing the price or limiting the production or regulating the transportation of any product or commodities." In 1895 an act was passed by the Legislature forbidding any combinations, for the purpose of affecting prices or regulating supplies of farm, dairy, orchard or garden produce.

Anti-Trust Legis-
lation in Other
States

Several of the States have statutes that are essentially alike in their general provisions, varying principally in their phraseology.

The statute of North Carolina was enacted in 1889. It forbids all combinations and trusts to be formed or

carried on in that State. The act of North Dakota dates from March 9, 1897. It declares that all arrangements, agreements or combinations, and so on, made with a view to lessen or tending to lessen full or free competition or to affect prices are unlawful.

The Oklahoma statute was enacted in 1890, and is of similar tenor to those just noted. It specifically designates provisions, food, fuel, lumber or other building materials as commodities, the competition in which must not be restricted. The penalty for the violation of the act is a fine of from \$50 to \$500. South Carolina has an act that was approved February 25, 1897. The statute of South Dakota, drawn in 1897, was enacted to enforce a section of the constitution of the State, prohibiting trusts or monopolies. The original statute of Tennessee was approved April 6, 1889, and amended in 1891.

Utah has a statute enacted in 1896 prohibiting combinations "having for their object or effect the controlling of the prices of any professional services, any products of the soil or any article of manufacture or commerce or the cost of exchange or transportation." The statute of Wisconsin, approved April 27, 1897, relates only to domestic corporations which are forbidden from entering into "any combination conspiracy, trust, agreement or contract intended to operate in restraint of any lawful trade or commerce carried on in the State."

States that Have
Not Legislated
Against Trusts

Many States in the Union have given practically no attention to the subject of anti-trust legislation. Several of them have not even considered it worth while to have the matter considered by their legislators. Arthur W. De Goosh, As-

sistant Attorney-General of Massachusetts, says: "There is no special law in Massachusetts regulating so-called trusts. I may add that I doubt much if Massachusetts will be called upon to pass any special law regulating trusts formed under the laws of this Commonwealth. So long as corporations have to pay to the Commonwealth such a large franchise tax as is now imposed by the provisions of the Public Statutes of Massachusetts, I doubt much if there will be any trusts formed that will need regulating."

David M. Campbell, Attorney-General of Colorado, writes: "We have no laws in this State with reference to trusts. Our last Legislature took some steps in that direction, but the friends of an anti-trust law were not sufficiently strong to secure its passage."

Tirey L. Ford, Attorney-General of the State of California, says: "There has been no legislation in this State with respect to trusts as such, but our Legislature has passed laws in relation to combinations in restraint of trade." More specifically he adds: "There is no statute in this State regulating or prohibiting the combination or association of capital into what is known as trusts." The State has a statute prohibiting the unlawful restraint of trade, but it is of strictly local character.

New Hampshire, Pennsylvania, Vermont, Connecticut, Maryland, Virginia, West Virginia and Florida have no specific anti-trust statutes. West Virginia has some provisions limiting the powers of corporations and Florida has a special law in regard to the beef trust.

Views of Two
Presidents of the
United States

The subject of legislation upon trusts engaged the attention of the Presidents of the United States who held office in the clos-

ing years of the nineteenth century. In their annual messages to Congress, the topic was referred to with recommendations concerning its consideration.

President Harrison, in his annual message of December, 1889, said: "Earnest consideration should be given by Congress to a consideration of the question, how far the restraint of these combinations of capital, commonly called trusts, is a matter of federal jurisdiction. When organized, as they often are, to crush out all healthy competition and to monopolize the production or sale of an article of commerce and general necessity, they are dangerous conspiracies against the public good and should be made the subject of prohibitory and even penal legislation."

In his annual message of December, 1896, President Cleveland said: "The fact must be recognized, however, that all federal legislation on this subject may fall short of its purpose because of inherent obstacles, and also because of the complex character of our governmental system, which, while making the federal authority supreme within its sphere, has carefully limited that sphere by metes and bounds which cannot be transgressed. The decision of our highest court on this precise question renders it quite doubtful whether the evils of trusts and monopolies can be adequately treated by federal action unless they seek directly and purposely to include in their objects transportation or intercourse between States or between the United States and foreign countries."

President McKin- President McKinley, in his message de-
ley's Recom- livered to Congress in December, 1899,
mendations to said: "Combinations of capital organized
Congress into trusts to control the conditions of trade among

our citizens, to stifle competition, limit production and determine the prices of products used and consumed by the people, are justly provoking public discussion, and should early claim the attention of the Congress.

* * * The subject is one giving rise to many divergent views as to the nature and variety, or cause and extent of the injuries to the public which may result from large combinations, concentrating more or less numerous enterprises and establishments which, previously to the formation of the combination, were carried on separately.

"It is universally conceded that combinations which engross or control the market of any particular kind of merchandise or commodity necessary to the general community, by suppressing natural and ordinary competition, whereby prices are unduly enhanced to the general consumer, are obnoxious, not only to the common law, but also to the public welfare. There must be a remedy for the evils involved in such organizations. If the present law can be extended more certainly to control or to check these monopolies or trusts, it should be done without delay. Whatever power the Congress possesses over this most important subject should be promptly ascertained and asserted."

**Declarations of
Democratic Con-
ventions**

Many political platforms have dealt with the subject. The Democratic national platform of 1896 had this plank: "The absorption of wealth by the few, the consolidation of our leading railroad systems, and the formation of trusts and pools, require a stricter control by the Federal Government, of those arteries of commerce. We demand the enlargement of the powers of the

Interstate Commerce Commission and such restrictions and guarantees in the control of railroads as will protect the people from robbery and oppression."

Several Democratic State conventions in 1899 gave voice to their sentiments upon this subject. The convention of Iowa demanded that trusts should be "suppressed by the repeal of the protective tariff, and other privilege-conferring legislation responsible for them, and by the enactment of such legislation, State and national, as will aid in their destruction." The Kentucky convention expressed its opinion in favor of the destruction of trusts.

The Maryland convention said: "We favor vigorous measures by the State and by Congress to repress this great and growing evil." The Democrats of Massachusetts said: "We pledge ourselves to give due trial to such remedies as may hasten the disintegration of trusts," suggesting compulsory publicity, prohibition of different prices in different States, and a more rigid enforcement of the law against railroad discrimination. The Nebraska Democrats demanded a constitutional amendment to prevent the monopolization of industry.

The Ohio Democrats demanded "all articles, the prices of which are controlled by trusts, to be placed on the free list." The Democrats of Pennsylvania held that "all combinations of capital calculated to produce monopoly or restrain trade should be regulated and limited by proper legislation, if their establishment cannot be constitutionally prevented."

Planks from
Republican State
Platforms

The Iowa Republicans of 1899 declared "when the business aggregations, known as trusts, prove hurtful to the people, they

must be restrained by national laws, and if need be, abolished." The Republicans of Kentucky pledged themselves "to the enactment of all such laws as may be necessary to prevent trusts, pools, combinations or other organizations, from combining to depreciate below its real value or to enhance the cost of any article or to reduce the proper emoluments of labor."

In Maryland the Republicans announced themselves strongly in favor of "laws to successfully suppress trusts and all combinations which create monopoly." The Republicans of Massachusetts announced that their party "is unqualifiedly opposed to trusts and monopoly and the capitalization of fictitious and speculative valuations." The Republicans of Nebraska declared that their party "opposes trusts and combinations, having for their purpose the stifling of competition and arbitrarily controlling production or fixing prices." In Ohio the Republicans commended the action of the general Assembly "in passing the stringent law now on our statute books prohibiting the organization of trusts," and they denounced "such unlawful combinations as inimical to the interests of the people."

**The Sweeping
Tide of Anti-Trust
Legislation**

Even a hasty glance over the immediate preceding pages must be sufficient to convince any one that probably no institution of modern times has ever had more persistent and more forceful opposition waged against it by legislation, either projected or actual, than have these aggregations of capital in the United States.

It has been different in England and elsewhere in Europe. Notwithstanding the earlier record of England in respect to legal enactments restraining trade,

the contemporaneous attitude of that country has been far more conservative in this respect than has been that of the American people. The trust movement has not yet assumed the proportions on the other side the Atlantic that it has in this country and, naturally, law and public opinion has concerned itself less with the subject.

In the United States, as we have just seen, there has been a flood of legislative enactment with all the attendant agitation that precedes such action by Congress and Legislature. Presidents of the United States have joined in arraigning trusts. Governors of States have had their say in messages that would fill volumes.

The ingenuity of some of the keenest legal minds of the country has been utilized in the framing of statutes to insure their constitutionality and their practical working power. If public sentiment, as expressed through the utterances of foremost public officials and crystallized into actual legal enactments could accomplish anything, the course of the trusts should long ago have been stayed.

Unenforced Anti-Trust Laws

After a contemplation of this public uprising, as manifested in the legislation that has been demanded and placed upon the statute books of so many States, one naturally looks to see what definite results have been attained thereby. What has all this agitation for national and State interference amounted to, and what has it really accomplished? Those are practical questions, and the way in which they are answered by facts may go far toward throwing interesting light upon the real spirit of the people.

It will clear the way to understanding the subject, if,

at the outset, what has not been done, shall be noted. The Federal Government, through the Interstate Commerce Commission, has confined its efforts to the regulation of railroad affairs. In the summer of 1899 the Industrial Commission undertook the investigation of industrial combinations. What may be the result of its recommendations, or what authority it may attempt to exercise, remains, at the opening of the year of 1900, a question for the future to decide.

The federal anti-trust law of 1890 has been nearly a dead letter as far as it relates to trusts, pure and simple. The declaration of Attorney-General Griggs, made in 1899, that the restraint of capital that has taken the form of so-called trusts should be relegated to the different States, still stands as the dictum of the national authorities.

**Evidence from
Several State
Attorney-Generals** It has become evident that the laws upon the statute books of the States are in many instances ineffectual in accomplishing their intended purposes, or else rest there neglected, without any urgent public demand manifested to give them vitality. Statements of several Attorney-Generals secured in connection with the preparation of this volume, are instructive upon this point. The Attorney-General of Iowa, says: "I know of no action ever having been brought to enforce the law or suppress a trust." The Attorney-General of Michigan writes: "The law has never been passed upon by the Supreme Court of this State."

The Attorney-General of New Mexico says: "No action has ever been taken in the courts under the provisions of this law." The Attorney-General of North Dakota writes: "We have had no decisions of our

Supreme Court on this subject." The Attorney-General of South Dakota specifies: "So far as I know, no action has ever been taken under the laws of this State against trusts." The Attorney-General of Louisiana says: "No action has ever been taken under it that I know of." The Attorney-General of South Carolina writes: "I know of no action which has ever been taken under the act in this State relating to trusts up to the present time."

The Attorney-General of Colorado bears this testimony: "We have had no litigation in this State with reference to the question." Speaking of the constitutional provision against monopolies in the State of Washington, the Attorney-General there says: "The Legislature has never seen fit to provide the machinery to carry the Constitution into effect." In Utah, according to the Attorney-General of that State, "there have been no decisions upon this subject by our State Supreme Court." The law upon the statute books of the State of New York, that of 1897, has been declared by the courts of the State to be unconstitutional and void.

**Important
Decisions Under
the Missouri Law** Court decisions based upon anti-trust statutes were not numerous previous to 1900. Most of them were arrived at in the year 1899 or immediately previous. In one instance the decision was under the United States law of 1890. Other decisions of most importance have been those of the State courts, principally of Illinois, Ohio, Arkansas, Missouri and Texas.

In August, 1899, the Court of Appeals of St. Louis, Mo., rendered a decision in the case of a suit brought by the National Lead Company against the S. E.

Grote Paint Store Company for balance due on account. The defendants pleaded that the plaintiff corporation was a trust and was consequently doing business in violation of the Missouri anti-trust law.

Judgment was given to the plaintiff, but the Court of Appeals reversed the judgment and remanded the case for another trial. The decision of the court was that although the trust had taken the form of a single corporation, it could not escape the prohibition and penalties of anti-trust laws, on the plea that it cannot combine or conspire with itself. It was held that the individual members of the corporation were, in effect, conspiring with each other in restraint of trade, and thus violating the law. In other cases in Missouri, the law has been declared constitutional, and heavy fines have been assessed against corporations. In 1899, seventy-two foreign fire insurance companies were convicted of violating the law and were heavily fined.

**A Decision Under
the Interstate
Commerce Law**

The case of the Addyston Pipe Company attracted widespread attention in legal circles in 1899. Under the federal anti-trust law the United States Attorney in Tennessee brought action against the company, alleging restraint of interstate commerce. In the District Court the defendant gained a victory, but the Circuit Court of Appeals, Justice Harlan and Judge Taft, sitting, reversed the judgment.

On appeal to the Supreme Court of the United States the case was heard and decided, Justice Peckham delivering the opinion of December 4, 1899. The defendants were six corporations with plants in different States and they had a close arrangement, although not a consolidation into a single corporation, to main-

tain prices and to refrain from competition in the manufacture and sale of cast iron, water and gas pipe. The Supreme Court held that this agreement was in direct restraint of interstate commerce and in violation of the federal anti-trust law.

This decision, which many lawyers think may have an important bearing upon the subject, was, it will be noted, made strictly upon the provisions of the law relating to interstate commerce. It did not touch upon the question of trusts or monopolies, save in their interstate transactions. Other decisions of the United States Supreme Court have uniformly upheld the contention that the law fully provides for the practical restraint of trusts, so far as the interstate character of their business is concerned.

The Illinois Law
Upheld

Under the Illinois law one exceedingly important decision was rendered in October, 1899, when the Supreme Court of that State declared in favor of the plaintiffs in the action of George F. Harding and others against the American Glucose Company. It appears that the glucose industry is carried on only in the corn-belt of the United States by six large factories, mainly in Illinois and Iowa.

At Peoria, Ill., was the American Glucose Company, that in 1897 was absorbed by the Glucose Sugar Refining Company, with the consent of a majority of the stockholders. Several minority stockholders brought the suit to invalidate the sale on the ground that the consent of the minority stockholders had not been obtained and because the attempted sale was a movement toward combination in violation of the anti-trust statute of Illinois. In the lower court the ruling

was against the plaintiffs, but the Supreme Court reversed the decree of the court below and set aside all deeds and other instruments constituting the attempted conveyance and delivery of the Peoria plant and business to the Glucose Sugar Refining Company.

Futility of Anti-Trust Legislation

Space will not permit of a complete presentation of all the legal decisions that have been made under anti-trust statutes.

Enough has been shown, however, it is believed, to indicate that, so far as enforcement of the provisions of the laws are concerned, the actual result has not been at all commensurate with the tremendous amount of agitation and great volume of legislation that has rendered the closing years of the century notable in respect to this subject.

Most of the laws have remained dead-letter enactments. Whether under the impetus of some popular demand that may spring into being from causes not yet wholly apparent, they may be revived, is not a fair subject for prophecy. Broadly stated, legislation thus far has proved its weakness, rather than its strength, in attempting to overthrow trusts, or in seriously curbing the reasonable exercise of their powers. Legitimate business, conducted in a legitimate manner, to the mutual advantage of itself and the public, has been able to proceed on its way with little more than momentary irritation at the obstacles that, from time to time, have been thrown before it.

The conclusions to be derived from the actual workings of trusts and the effect of attempted legislation against them are wholly favorable to the interests of consolidated capital. Statutes and judicial decisions

under them have not succeeded in suppressing trusts or combinations. They have been able to modify or to change the direction or form of operations of corporations that are broadly classed as trusts, but beyond that point they have not exercised influence. Business has been able readily to adjust itself to whatsoever reasonable limitations the laws have placed upon it, and undoubtedly it will find little difficulty in successfully pursuing the same course in the future.

NOTABLE INDIVIDUAL OPINIONS

VIEWS OF STATESMEN, ECONOMISTS, BUSINESS MEN AND OTHERS—GENERAL AGREEMENT REGARDING THE PERMANENCE AND THE IMPORTANCE OF THE PRESENT MOVEMENT OF CAPITAL—THE SUBJECT FRANKLY DISCUSSED

Wide Attention
Given
to Trust Problems

Popular interest in capital, its powers, its possibilities and its effects has resulted in an abundant and notable increase of literature pertaining to the subject. Probably no topic has been more widely discussed during the last few years than that which is designated by the general title of trusts. It may be further said that probably upon no current topic is there so widespread and general lack of knowledge and confusion of ideas.

Something has been gained, however, that the subject is at last discussed. To-day the economic value of trusts is recognized and seriously considered. Not so very long ago the only contributions to the case were the vigorous utterances of those who denounced unqualifiedly all and every manifestation of this latest economic tendency. Now, however, it is frankly admitted that there is another side to the case. A careful study of the later expressions of opinion of economists, statesmen, and others will go far to convince the unprejudiced student that the general trend of opinion

is strongly in favor of the trust idea. Newspapers and magazines have opened their columns to contributions on the subject, and public men in the halls of legislation and upon the platform have added to the enlightenment of the people.

The Chicago Conference on Trusts

Until the summer of 1899, the general discussion of this question proceeded in a somewhat desultory manner. Wherever an individual could get audience, either in the public prints or upon the platform, he had his say. No serious attempt had been made to assemble this floating and varying opinion, pro and con, into any concrete, compact form. It then occurred, however, to the gentlemen composing the Civic Federation of Chicago, that a conference for the fullest possible discussion of trusts and trade combinations from all standpoints was eminently desirable, and would probably be successful and highly instructive. Out of that idea was born the celebrated Chicago Conference on Trusts, that accomplished more than even its most ardent promoters hoped for in eliciting opinions from the leading men of the country, and in disseminating a widespread knowledge of the subject that was in the highest degree desirable.

Among those who participated in the proceedings of this conference, which was held in Chicago in September, 1899, were William Jennings Bryan, W. Bourke Cockran, Henry W. Blair, of New Hampshire; Governor G. W. Atkinson, of West Virginia; Charles Foster, of Ohio; Francis G. Newlands, of Nevada; J. Sterling Morton, of Nebraska; Cyrus G. Luce, of Michigan; Mayor Samuel M. Jones, of Toledo, Ohio; Governor W. E. Stanley, of Kansas; Governor Hazen

S. Pingree, of Michigan; Professor John Graham Brooks, of the University of Chicago; Professor John Bates Clark, of Columbia University; Attorney-General George R. Gaither, Jr., of Maryland; Clem Studebaker, of South Bend, Ind., and many others prominent in the political, business and social world.

Opinions from
Different Points
of View

On the pages that immediately follow will be found extracts from the public utterances of some of the most prominent men of the day who have expressed themselves concerning this nineteenth century phenomenon in the industrial world. Many of these abstracts have been quoted from the addresses made by their authors at the Chicago Conference. A mere perusal of these excerpts, brief as they must necessarily be in this connection, will reveal at once the broad scope and the profound importance of that gathering. The full report of the proceedings during the three days' meeting and of the addresses that were made was published by the Civic Federation. It undoubtedly constituted the most illuminating contribution that up to that time had been made to the literature of the subject.

From speeches made on other occasions, and from various newspaper and magazine contributions, other extracts that appear in this chapter have been taken. It is believed that, together, they reflect the opinions of the majority of people who have given serious thought to the subject. Their authors are representative men from all walks of society—capitalists, working men, professional men, and those in public life. Their views are not hasty utterances, but are serious, well considered thought. From their study readers cannot fail to derive much valuable information.

Gain from Econ-
omy of
Production

At the twenty-second annual meeting of the American Paper and Pulp Association, held in New York in February, 1899, Professor Arthur T. Hadley, now president of Yale University, read a paper on "Industrial Combination; Its Failures and Successes." He spoke first of attempts that have been made to monopolize natural products, such as copper, iron, and others, and their ultimate failure, and then went on to say:

"Combinations of large plants engaged in manufacturing or transportation have apparently had less chance of success. Their monopoly was a more precarious one, because it was in the power of others to enter the market and duplicate their factories or their railroads. Yet the proportion of successful monopolies in these lines has been much greater than among the monopolies of natural products. That difficulty which seemed like a menace to their stability has sometimes proved their salvation, for it has compelled them to seek their success by reducing expenses rather than by raising prices. In such combinations the control of the market, which they were able to exercise by an increase or a limitation of the output, has been an incidental rather than a primary object. The great gain has been in economy of production. In the first place they are able to avoid unnecessary duplication of plant, and thus keep their machinery more fully occupied. In the second place they can avoid great variations in the amount of work done in different seasons—variations which are sure to take place if each man extends his production for himself on the basis of the past season's experience, without noticing or knowing that a dozen other people are doing the same. Finally they

are able to save the multiplication of selling agencies and the unnecessary expense of advertising, which is largely a result of duplication of plant and irregularity of output.

**Success Due to
Progressive
Methods**

"All these are evils which affect the public; and an industrial combination, by avoiding these expenses, is a means of public economy no less than of private gain. It enables people to get their goods with less actual labor cost, because the different machines are utilized more advantageously; because it avoids those alternations of plenty and scarcity, with attendant fluctuations in price, which are an evil to consumers as well as producers; and because it frees the public from certain quite unnecessary elements of incidental expense. That most successful combination of all, the Standard Oil Company, has owed its success to its progressive methods. It has not raised the price of oil, but has lowered it. Whether the price of oil has fallen faster or slower than it would have done under free competition is a matter on which there is room for difference of opinion; but there is no question that it has fallen, and fallen greatly, and that the large profits of the company have been made, not by raising the prices, but by limiting the expenses. It is not as an owner of oil wells, limiting the source of supply, that it has made its history, but as an owner of a plant for transporting and refining oil, which it has managed with a high degree of efficiency and economy.

"There is no time to go into the history of a large number of combinations and point out in each individual case the causes which have contributed to their success or failure. It is enough to say that the failures

have in general been caused by a one-sided effort to raise prices, the success by laying stress on the reduction of expense."

**Competition
Wages Warfare
Against Trusts**

As long ago as 1889, Andrew Carnegie, in an article entitled "The Bugaboo of Trusts," published in the North American Review, pointed out with singular prescience some of the results that would follow the reorganizations of capital into trusts that were then just beginning to attract wide and serious attention. In that article he explained how a successful trust would be sure to invite the competition of other capital, saying:

"Capital is always upon the alert, especially when it is bruited about that a trust has been formed, and immediately new manufactories spring up, as if by magic. The more successful the trust, the surer these offshoots are to sprout. Every victory is a defeat. Every factory that the trust buys is the sure creator of another, and so on *ad infinitum*, until the bubble bursts. When they have endeavored to raise a part of the ocean of capital above the level of the surrounding waters, over their bulwarks the floods have burst, and capital, like water, has again found its level. It is true that to regain this level a longer or a shorter period may be required, during which the article affected may be sold to the consumer in limited quantities at a higher rate than before existed. But for this the consumer is amply recompensed in the years that follow, during which the struggle between the discordant and competitive factories becomes severer than it ever was before, and lasts till the great law of the survival of the fittest vindicates itself.

"Those factories and managers that can produce to

the best advantage eventually close the less competent. Capital wisely managed yields its legitimate profit. After a time the growth of demand enables capital to receive an unusual profit. This in turn attracts fresh capital to the manufacture, and we have a renewal of the old struggle, the consumer reaping the benefit. Such is the law, such has been the law, and such promises to be the law for the future; for, so far, no device has yet been devised that has permanently thwarted its operation. Given freedom of competition, and all combinations or trusts that attempt to exact from the consumer more than a legitimate return upon capital and services, write the charter of their own defeat. We have many proofs that this great law does not sleep, and that it will not be suppressed."

**If the Trust is
Good It Will Live**

The views of Chauncey M. Depew, United States Senator from New York, upon the subject of corporations have been often and frankly expressed and are of great value, arising as they do from his large experience with that form of industrial enterprise. In an article in *Munsey's Magazine*, contributed jointly by himself and the late Roswell P. Flower, he said:

"As I look at it, the trust is on trial. If it proves, like the corporation, to be inoppressive, and a necessity to the conduct of certain operations which are for the public good, it will live. If, on the other hand, it oppresses the people, they will very quickly put a stop to it. If it violates public sentiment, it cannot live—if, I mean, it puts into the hands of a few men the manufacture or distribution of any article of prime necessity, so that the American people feel that they are dependent on any set of men for coal or steel or anything which is in universal use."

**Corporations En-
titled to Fair
Consideration**

In an article published in the Saturday Evening Post of Philadelphia, Thomas B. Reed, former Speaker of the United States House of Representatives, presented many interesting points concerning corporations and their operations. Among other things he said:

"There is very little in a corporation to deserve the doubt and suspicion with which it has been so often treated, especially in the harangues of those who trade upon the weakness of mankind. Undoubtedly there are reasons for the feeling about corporations, arising from the fact that corporations in their dealings with mankind are less conciliatory and put themselves under general rules more closely than men who manage smaller things by the method of a partnership.

"It is often said that corporations have no souls. That is true, but the stockholders have, and the workmen also, and the latter are just beginning to find out that profits are the mother of wages. Singularly enough, none of the public talk which has been made about corporations on account of their having no souls has ever ventured a single sentence in favor of either the stockholder or the employee, both of whom undoubtedly have souls."

**A Healthful
Re-adjustment of
Labor**

Presenting in the columns of the New York Independent his views of the effect of trusts on labor, John D. Archbold, a director of the Standard Oil Company, had this to say regarding one of the operations of consolidated capital:

"Large aggregations of capital are made necessary, to a great extent, by the use of machinery, and one of their principal purposes is the adoption of the most

effective machinery. Another purpose is to obviate the waste of competition in labor, as well as in other respects, so that in many cases of combination one man will be found to take the place of two. This is more marked at present in the case of traveling salesmen, a considerable number of whom have been displaced. It must be admitted, therefore, that in the use of machinery, and also in other ways, trusts make labor more effective and require a less number of employees to accomplish a given result. It follows that laborers are temporarily displaced, and the hasty conclusion is formed that the general result is the employment of fewer laborers.

"The general result is quite the reverse. The effect of the adoption of better machinery, more economical methods and larger capital is to improve and cheapen the product, to increase consumption in markets where the products have already gained admission, and to open new markets. Increase in demand for the product immediately increases the demand for labor, and it follows as surely as day follows night that the number of laborers eventually employed is increased instead of being diminished."

Monopoly of Industry an Economic Impossibility In an article written for Munsey's Magazine and published after his death in 1899, the late Governor Roswell P. Flower pointed out some of the advantages derived from capital combinations. He said in part:

"The possibilities of economy in production are enormous. Recently some wagon manufacturers came to New York to organize for the capitalization of their business. They figured out a reduction of one-half of their traveling salesmen by this combination. This

and other economies aggregated nearly four hundred thousand dollars, and the net profits of the concerns had not amounted in the aggregate to more than two hundred and fifty thousand dollars within a year. That is what capital combinations are doing for business. They are making it possible for business to be conducted at the lowest rate of expense, because the concern of great capital is independent of the banks and can even carry its own insurance.

"Combination is increasing the wages of labor while cheapening the cost of necessities as well as luxuries to the consumer. And at the same time it is establishing no monopoly, because under the economic conditions on which it depends competition is always possible when the margin of profit is more than a small fraction of the cost of the article sold. There is only one form of monopoly possible in this country, and that is where a patent controls the production of a certain article. That patent is the reward of labor offered by the government and preserving to the ingenious worker, for seventeen years, the benefit of his ingenuity and toil."

Hostility to Corporations Hurts the Public On many occasions Henry O. Havemeyer, president of the American Sugar Refining Company, has given to the public his views relating to the status and the operations of combined capital. In a paper that he read before the United States Industrial Commission at Washington in July, 1899, he said:

"Hostility to capital meets with its own condemnation. This is illustrated by the situation in New York, where a discrimination against capital has prevented its employment and driven it elsewhere, resulting in a

greatly increased tax rate and a tendency to increase the number of the unemployed. There is a prevailing hostility to wealth. This is perfectly illogical. Every one wants money. It is the abuse of money, not its possession, which is opposed to public interests. This hostility finds its outlet in hostile legislation, in unequal and unjust taxation. All this is probably unconstitutional. It is directly against the interest of the very class—I mean the poorer class—whom it is supposed to benefit.

“Corporations, whether directly such or in the form of trusts, are an expedient for uniting the interests of a large number of persons of smaller means into a large aggregation of capital. Attack upon them is, therefore, an attack upon their stockholders. In the case of many well-conducted corporations these stockholders are very numerous, and are often persons of moderate means, dependent upon their income for their support.

“In the absence of all disturbing causes, the direct tendency of a combination of capital is to promote economy, reduce expenses and diminish prices. This does not mean that a person having anything to sell will not get for it the largest price that he can. It means that with the abundance of capital ready for investment which is always found everywhere, the only way to prevent competition is to keep prices below the competitive point.”

**Corporations
Advantageous to
the Community** No speaker at the Chicago Conference made a more distinct impression than the Honorable W. Bourke Cockran, former member of Congress from New York. As a celebrity he attracted foremost attention with the Honorable

William Jennings Bryan. His address and his utterances in debate revealed him as a statesman of the highest rank and a profound economic student. He presented some of the advantages arising from corporate consolidation as follows:

"The corporation is the natural evolution of the partnership. It is a scheme by which many men, strangers to each other, can co-operate in various fields of industry with a limited risk to each, while partnership is essentially the co-operation of a few men well known to each other, who are compelled to devote all their time and pledge all their resources to the success of their joint enterprise. A man by holding stock in different corporations may participate in many enterprises without risking all his capital in any one, while the liabilities and conditions of partnership are such that few, if any, men could afford to be concerned in more than one. As every device which facilitates the industrial co-operation of men promotes the volume of production, corporations possess enormous capacity for swelling the tide of human prosperity, and they have promoted the well-being of every community in which they have been encouraged, in spite of the fact that the management of corporations has been the blackest page in all our history."

**Labor Will Profit
from Industrial
Combinations**

Prominent in public life, State and national, for more than a generation, the Honorable Abram S. Hewitt, former Mayor of New

York City and former member of Congress, has long been recognized as an authority upon economic subjects, his knowledge coming from practical experience as a large iron manufacturer. His testimony is that:

"The organization of these large industrial companies

shows the trend of modern civilization toward the association of capital in large bodies for the economical production of commodities. The doctrine of association is steadily progressing. Just how far it will go I cannot tell. How far it will be injurious I cannot tell. In some instances it will be of advantage to the public, as in the case of the Standard Oil Company, where centralized control has greatly cheapened the product. The real substantial advantage of all great industrial combinations goes to labor and to the consumer of the products. Every economy and saving in cost of production benefits the wage-earner, and just in proportion as the cost of production is decreased so will the wages of labor be increased. Of course, I am speaking of competitive industries in this connection. In this substantial betterment of industrial conditions is the true foundation of prosperity."

In the Interest of
Wage-Earners
and Laborers

Emerson McMillin, the New York banker, who has become particularly well known from his connection with many electric lighting companies, especially in the West, says:

"Combinations will decrease cost of production. It will benefit society in this, that it will tend to do away with spasmodic and extreme advances in prices, followed by long periods of depression and the discontent of the masses incident thereto. The consumer and the laborer should be the chief beneficiaries. By combination a solidity is given to investments that makes the investor content with smaller net returns. In many instances the share capital issued is ridiculously large. The excess of engraved sheets of paper can profit no one, and it may be a source of danger to uninformed investors, and in times of depression the collapse of

these excessively capitalized companies will tend to create alarm and distrust in the financial system of the country. Wages ought to be higher, owing to absence of ruinous competition and consequent disposition of employers to reduce expenses. The condition of the wage-earner should be improved. Regular employment at fair wages is what the wage-earner desires, and is essential to his contentment.”-

Corporate Capital Competes with Other Capital Such an eminent authority on monetary questions as George E. Roberts, of Washington, Director of the United States Mint, has given his attention to the influence of uninvested capital in threatening trusts and acting as a restraining power in any attempt that might be made to control prices. In an article in the *Review of Reviews* he elaborated this argument at length. Among other things he wrote:

“To escape from the pressure of these conditions, which have been making industrial investments precarious and unprofitable to the majority of operators, the latter have resorted to the combinations. If the natural forces of the business world have a leveling influence and have for all time been steadily lifting manual labor in importance as compared to capital, why should it be believed that the latter can, by any new scheme hatched in back offices, suddenly rise to mastery? Is it not a little singular that a movement to which capital is driven by distress should excite such widespread fear that capital is about to become all-powerful? The reduction in the earnings of capital in the past has come, we have seen, through the increase in the amount of capital seeking investment and through the inventions which have reduced the amount

required per unit of production. Will that law cease to operate in the future?

"The production of wealth is now going on in this country at an unprecedented rate. The amount available for investment is increasing rapidly every year. It will persistently seek investment, and all attempts to exclude it from employment by fencing up the several fields of industry for quiet private possession by a few with extraordinary returns for their capital are inevitably doomed to failure."

**Improved Oppor-
tunities for
Inventive Genius** On several occasions Charles W. Foster, former Governor of Ohio, has pointed out tersely and clearly some of the most notable advantages that are the outgrowth of the trust. He says:

"The evolution in business from the individual to the partnership, and from the partnership to the corporation, was no more natural and necessary than is the evolution from the corporation to the trust. Let us look the situation squarely in the face. Denounce it as we may, it has come to stay. Why? Because the gigantic business operations of the present and future cannot be carried on without it. Through the trust the enormous waste that is entailed upon business operations by competition is saved; the product and the service performed is cheapened. Labor will have better opportunity to enhance wages and to shorten its hours of toil, as is so signally illustrated in the railroad service of the country. Through the trust the superior inventive genius of our people (because of universal education) will have improved opportunity." Students and professors of political economy are finding in the trust problem a question that particularly appeals to their minds. They are contributing much

**In the Struggle
for the Trade of
the World**

to a general knowledge of the subject by magazine articles, lectures, and other utterances. Professor John Bates Clark, of Columbia University, has been one of the first to recognize the utility of trusts in the expansion of American trade. At the Chicago Conference he said:

"It is well worth while to notice how much will be gained if we can safely allow the natural and centralizing tendency to go on. It means the survival of the most productive forms of business. It is first and chiefly because they can give more for a dollar than little establishments can give that the great establishments supplant them. They out-do the small ones in serving the public, and this power of superior service is soon to have a new and unique field in which to display itself. We are entering on an era of world-wide industrial connection. Asia and Africa are incorporating themselves into the economic organism of which Europe and America are the center. There is coming a neck-and-neck contest between European countries and the United States for lucrative connections with the outlying regions. There is also coming a later and grander contest between both America and Europe on the one hand, and Asia and Africa on the other, for the command of the traffic of the world. In this contest victory involves more than any hurried expressions of mine can indicate. It means a leading position in the permanent progress of the world. It means positive wealth, high wages, and intellectual gains that cannot be enjoyed by those who develop less power.

"In the momentous struggle that is before us and that will yield to the successful the greatest of mundane prizes, I want my country to come uppermost.

To that end I wish it to have every advantage that it can have in the way of productive power. I wish it to be able to meet the fiercest competition, not by accepting low pay for its labor, but by creating the largest possible product. Do you suppose that this is possible if it reverts to the plan of multiplying little shops, with the wastes that this system entails? Mechanical invention, on the one hand, and organization, on the other, can save us in the sharpest economic contests."

Trusts Will Ultimately Regulate Themselves

Paul Morton, third vice-president of the Atchison, Topeka and Santa Fé Railroad, was among those who addressed the Chicago Conference. He expressed his confidence in the permanence of trusts and their ultimate advantage to the public. As regards regulation, he said:

"Industrial combinations or trusts are very similar to other commercial enterprises. Some will fail, others succeed. Success or failure depends, first, on whether they are constructed on a good foundation, or whether they are built upon sand 'and inflated with wind and water. Second, whether they are intelligently managed or not. In most instances, the efficient men are being retained by the trusts which have been recently formed. This augurs well. Upon intelligent management depends the question of prices which should be quite reasonable at all times. No citizen denies the right of the manufacturer or producer to make a reasonable profit, and it is manifestly best for the welfare of the community at large that the nation's commerce should make a fair return to those engaged in it, for capital, time, brains and labor employed. * * * I believe that trusts will regulate themselves. Any attempt to keep prices higher than they ought to be is a

direct bid for competition, and capital always stands ready for new industries to manufacture products which can be sold at abnormally high prices. Many of those who have tried it, say they like nothing better than to compete with a combination that is trying to get unreasonable profits."

**Legislation Can-
not Check Trusts**

Concerning the futile attempts that have been made to check the operation of organized capital by legislation, Professor John Graham Brooks, of the University of Chicago, has expressed himself in these very vigorous terms:

"I submit that the time is at hand for some kind of wide, thorough and effective organization. Nor do I believe it open to doubt, that the immense pressure of this necessity is producing the so-called trust. It makes itself far more than it is made. Men will fight it as they fought machinery, and with precisely the same results. From the United States law of 1890 to the various attempts in different States there is thus far no hint that these colossal forces toward new organic forms can be hindered. They can be made worse, as in the anti-pooling legislation. They cannot be stopped. I believe it to be the beginning of practical sense to understand that the new combinations can in no sense be permanently smashed. The party which proposes to do this, in the sense of absolutely checking them, will have plenty of leisure to regret it."

**Economic
Progress Sure to
Triumph**

George R. Gaither, Jr., Attorney-General of the State of Maryland, was one of the speakers at the Chicago Conference who emphasized the view that the popular outcry against trusts was useless and unnecessary. He said:

"It is only when a consolidation of the great businesses which deal in the necessities of life, and with the callings in which we are vitally interested, threaten us with a great economic revolution, that the country becomes aware of the dangers which are threatening. In the first paroxysm of fear the cry is raised that this tendency of modern business life must be checked, that these combinations must be destroyed, and men must be forced by legislation to return to the business methods and ways which their intelligence has discarded.

"As well might we attempt to turn back the forces of nature as the forces of economic social conditions. It would be as resonable to endeavor by legislation to restore the days of the stage-coach, or to prohibit electricity from usurping the sphere of steam. The attempt of ignorant bigotry to compel Galileo to recant his masterly exposition did not prevent the earth from revolving about the sun. The truth is rapidly dawning upon humanity that co-operation is the highest form of industrial activity that civilization can develop. When this great economic axiom is being accepted by the capitalists of our nation, it is imperative that the great working masses should not blindly oppose its adoption."

Corporations
Subject to Laws
of Competition

At the Chicago Conference on Trusts, J. Sterling Morton, of Nebraska, Secretary of Agriculture in the Cabinet of President Cleveland, took the strongest grounds against the misapprehension that there is danger of permanent monopoly in combinations of capital. Upon that point he expressed himself in part as follows:

"There is much misapprehension as to incorporated

capital in the United States. Oratorical vagarists have endeavored to make common people believe that incorporations are not subject to economic laws of competition and that the relation of supply to demand is not the sole regulator of values. The fact, however, remains that money invested in manufactories or in railroads belonging to incorporations is no stronger, no better and no more exempt from the operation of commercial laws than the money which is owned by individuals. There need be, in my judgment, no apprehension as to the trusts crushing out all competition.

"With the exception of the oil trust and the sugar trust, failure among trusts has been universal. The whisky trust, the tobacco trust and all the other trusts of any importance up to date, except those that have been formed very recently, have been complete failures. These failures have come, firstly, from over-capitalization; and, secondly, from mismanagement. Intelligent competition can enter the field against any trust on earth except one which has a natural monopoly (by this I mean one which, like the Standard Oil Company, owns the only oil-producing lands in the country), and successfully put its products upon the market with the sympathy of the consumer all on its side. By this I mean that outside of the trusts co-partnerships and stock companies may be formed with capital, energy and ability to successfully take the market against any and all trusts' products, except those which are the result of a natural monopoly."

Legitimate Com-
binations Cannot
be Restrained

Among large employers of labor, Clem Studebaker, the carriage manufacturer of Great Bend, Ind., has a reputation for business enterprise that extends throughout the United

States. His belief in the harmlessness of trusts was expressed in a speech at the Chicago Conference, from which the following extract is taken:

"No true monopoly is possible in this country except that enjoyed by virtue of a patent granted by the United States. If those who undertake to inaugurate trusts had a monopoly of the trust business there would be cause for alarm. But any one can go into the trust or combination business who is able to find others who will join him. Herein is the safety of society. Combinations of capital build railroads and decrease the cost of travel and transportation. Some part of that saving they keep as profit, but whenever they undertake to keep so much of it from the public as to give them unusually large returns on their capital, a rival springs up, and down goes the cost to consumers.

**Large Profits
Challenge
Competition**

"Trusts have undertaken to enfold producers so as to limit competition, but in vain. No sooner have they gathered into the fold all in sight than up springs another. And this will continue to be the case so long as there are profits made which allure outside capital, and outside capital is left free to take a hand in. Sugar refining, the manufacture of tobacco, etc., are cases in point. Whenever these great companies give evidence of making large profits, some powerful rival comes into the field, and competition proceeds to regulate prices on a lower plane.

"Combination within reasonable lines is likely to be of benefit. This is already evident in the fact that our products in iron and steel are coming into large demand throughout the world, even in England herself. The best service which our legislators can render the

country, when considering the subject of our productive agencies, is to insure enterprise and home capital a fair field and no favor. It is folly to talk of restraining legitimate combinations. There is scarce a corner grocery in the land that is not witness to a combination of money and brains, a combination for the mutual benefit of the combined. The whole country is built up of combinations. They exist alike in society, in government and in business, and it is as futile and senseless to talk about restrictions in this particular as it would be to undertake to make Niagara flow up stream into Lake Erie."

Words of

Warning to Free
Traders

Thomas Updegraff, former Congressman from Iowa, holds that trusts are in no sense incompatible with the protective tariff. On this subject he has expressed himself in these terms:

"That great aggregations of capital have wrought incalculable public good is not denied. A monopolistic trust I stand against; an aggregation of capital, however large, properly managed, I approve. It is only a fool who kills the goose that lays daily the golden egg. We will not give up the tariff; if it be in any sense the mother of trusts, we will save the mother and raise her children in the nurture and admonition of the Lord. Did any one ever see rich and fertile lands without weeds? What do sensible people who have rich and fertile soil do? Do they abandon it because of the weeds and go to raising grain among the rocks of New England? Do they not rather kill the weeds and save the soil? It has been said there never was a paradise without snakes. Protectionists would kill the snakes and save the paradise. Free traders in America would devastate the paradise and save the snakes."

Conditions Ad-
verse to Do-
mestic Competi-
tion

At the Chicago Conference, Samuel Adams Robinson, of the American Protective League, was one of those who took strong grounds in favor of the tariff as a means of industrial protection even under trust conditions. He said:

"Let us suppose a condition. In the event of the consolidation of all industries into trusts, with the protective tariff forever removed, and with its removal all incentive to new competitive enterprises wholly lacking, does any one suppose that the trusts would dissolve and their constituent companies return to unrestricted competition and price cutting among themselves? Would they surrender to foreign competition and go out of business entirely? No sane person could for a moment anticipate any of these results. On the contrary, the assured prospect of a permanent removal of protective tariff would impel every industrial enterprise in this country now operating independently to rush for shelter into a trust organization. Domestic competition would be at an end. What of foreign competition? The answer is plain. On a free-trade basis, and with the certainty that no new domestic competition could arise and complicate matters, our industrial captains, being absolute masters of the situation, would not surrender the home market to foreigners, but would make a tremendous fight for the preservation of their existence. They would fight inside the limits of a very small ring—the ring of reduced prices and reduced wages. Prices and wages must come down to approximately the European standard, to say nothing of the Asiatic standard."

William Fortune, president of the Indiana State Board of Commerce, has in a public address given it as his opinion that much harm is quite sure to result

from hasty, ill-considered attempts to interfere with the natural movement of economic forces as exhibited in the present centralization of capital. He says:

**Injury May Result
from Revolution-
ary Measures** "We know that economic progress has ever been pitiless in its sacrifices, and that in its conflict with human industry its advance cannot long be hindered. This humanitarian cry against the individual hardships of trusts, however distressing it may be and however much it may appeal to sympathy, will not be more effectual than has been the outcry for the same reason against labor-saving machinery and methods. It is not clear that the power of regulation can be effectively exercised in any other way than by the application of fundamental moral principles for the protection of rights of men and in the interest of public policy.

"Economic operation is in itself an inexorable law. Theories of revolutionary effect may be helpful indications of what may ultimately come, but in wise procedure the first steps should be in the direction of experimental test of powers that have served us well in the past. More radical measures will come if necessary, but, in the light of present knowledge, can any careful thinker say that this problem, now in its evolutionary stages, can best be solved by revolutionary measures? Is it not better to patiently seek to apply practicable thought to the correction of natural tendencies? If radical measures should become necessary their success will be hastened by preceding failure in reasonable efforts, as history proves in the instances of great changes brought about in the past. A wise radical is first a patient conservative."

**A Labor-Saving
and Price-Reduc-
ing Device**

Professor George Gunton is a well known authority upon social and political economics. He is the author of *Wealth and Progress* and *The Principles of Social Economics*, editor of *Gunton's Magazine*, and president of the *Institute of Social Economics*. Upon the lecture platform, in the columns of his magazine, and as a contributor to newspapers and periodicals, he has had much to say concerning the centralization of capital. His attitude toward trusts is made clear in the following extract from an article from his pen, published in the *Social Economist*:

"Trusts, instead of being sudden monopolistic creations that have been sprung on the community by a few designing conspirators, are but the last link in an industrial chain more than a century long; they are no more revolutionary than any one of the previous links, and less so than some of the earlier ones. Each one of these links in the great chain of industrial evolution came and stayed only because it was more profitable than its predecessors to those who employed it, lessened the cost of production and served the community more cheaply. Had it not done this, it could not have sustained itself in competition with the old methods.

"That the concentration of capital is necessary to the employment of the best methods in modern industry is too obvious to need discussion. Those who controvert this position may be passed by as unqualified scientifically to discuss the subject. Every labor-saving and price-reducing improvement now in use has involved concentration of capital in some form; in fact the history of the economic progress of the present

century is the history of the concentration of productive capital. To decentralize capital is to barbarize society. The general proposition of the economic necessity of the centralization of capital, therefore, may be regarded as self-evident."

Lower Prices and
Higher Wages
Results of Trusts

Touching the fear that the public has had lest the trusts should be able to advance and maintain prices and to reduce the wages of workingmen, David Ross, secretary of the Illinois Bureau of Labor Statistics, told those who listened to him speaking from the platform of the Civic Federation of Chicago:

"When the great railroads organized years ago the apprehension prevailed that rates would be advanced, and the calamity prophets of that day, like the present, were painfully realistic in describing the fate that was to destroy us. Transportation charges for freight are less by two-thirds now than they were prior to the organization, with a corresponding improvement in the service. The independent refiners of petroleum will unite in declaring the Standard Oil Company a monopoly, and yet it cannot be disputed that it was powerless to maintain prices. The reports show that the wholesale export price of oil has declined from twenty-five cents per gallon in 1871, to less than six cents in 1899. The people are getting a better article for nearly one-fifth the former cost; changes in the process of refining have saved the people millions of dollars, without, it is fair to presume, impairing the profits of the company.

"The oil and railroad interests of the country have been singularly free from labor disturbances. As a matter of recent history, our most serious conflicts

have been with interests that neglected to federate. Labor leaders will agree that better terms of employment can, as a rule, be obtained from large than from small employers. Why, then, should we fear the results of consolidation? It is the part of reason to encourage a tendency that will make possible higher wages, lower prices, and less hours of labor. Workingmen who will be expected to join the crusade against so-called trusts should have a care lest they become the victims of designing demagogues who would invoke the law to punish those who favor the restrictions which labor unions impose."

**Trusts Have
Already Become
International**

It has been pointed out by many writers and speakers that the large corporations in the most important branches of industry have become more than local or national in their scope and influence. Their field of operations is now world-wide. Referring particularly to this fact Henry W. Blair, former United States Senator from New Hampshire, said at the Chicago Conference:

"It is frequently observed that the trusts are a natural development of the protective tariff, and the strong prejudice against the evils which appear to be flowing from them is used as an argument against the protective system. That is to say, the existence of the trust is an argument for free trade. The ordinary and perhaps sufficient reply to this assertion is the fact that the trust exists in free-trade countries as well as in our own. This fact is in itself conclusive that the trust does not originate in protection. It must be remembered that trusts are international already, and if unrestrained the tendency of capital to combine will become world-wide."

Nothing to be
Feared from Large
Corporations

The fact that trusts are corporations, pure and simple, and that condemnation of them is logically condemnation of the entire corporation method of doing business, is fully recognized by most people nowadays. W. W. Potter, a member of the Pennsylvania bar, has voiced this view of the case as follows:

"As a matter of fact, most of the business combinations of the day are not trusts at all. They are simply large corporations. The so-called anti-trust attacks are not really attacks upon trusts, for the reason that but very few real trusts are in existence in this country. The hue and cry that has been raised is really an attack upon large corporations. If the people of this country are determined to wipe out all corporations, of course they can do so. No one would claim, however, that such an extreme measure is desired by any one who has the prosperity of the country at heart. Such action would be to turn backward the hands upon the dial of human progress, and ninety per cent. of the country's industries would stop. To the community as a whole, large corporations are neither injurious nor dangerous. On the contrary, the economies effected by the concentration and combination of capital and its direction by competent management means always the cheapening of commodities to the public."

Centralization
Principle Cannot
be Destroyed

The impossibility of overcoming by legislative enactment or by any other means the movement toward the union of capital has been expressed in these words by William Dudley Foulke, the well-known publicist of Indiana:

"The numerous laws which have already been enacted to break up trade agreements, pools, and

technical trusts, have been ineffective. They have resulted in the organization of larger corporations which are more permanent and more dangerous in their character than the things which are prohibited by statute. If it were possible to break up these corporations, which may well be doubted, the men who compose them would unite perhaps in partnerships or other forms of union to accomplish the same objects. If you break up these there are infinite varieties of organization which will take their place. The tendency of men to associate for the accomplishment of a common purpose is like the law of gravitation, and no statute will be found effective against such a tendency."

An Outgrowth of
Advancing
Civilization

Recent contributions by the legal fraternity to the discussion of combinations of capital, their uses and abuses, have been abundant and often of notable character. Many lawyers appeared at the Chicago Conference and presented suggestive ideas. Among them was A. Leo Weil, a member of the Pennsylvania bar, who, besides other things, said:

"Legislative restrictions upon trade have always proved baneful, and, in most cases, have only aggravated the evils they sought to prevent. Consolidations, understood as the amalgamation of a number of industrial plants, do not prevent that kind of competition which is beneficial to the public, and do not create monopolies. Consolidation, instead of being an injury, is a benefit to labor. Large capitalization is a relative term, and considered with reference to the present trade conditions, the capital employed is not larger than is necessary successfully to carry on such enterprises. Consolidations are the outgrowth and the

symptom of the advancing civilization of to-day, and the inevitable tendency of its complex trade conditions."

**Real Captains
of Industry**

Conspicuous among those who have had practical experience in important business affairs is Charles R. Flint of New York.

Mr. Flint is well known from his connection with South American shipping and trading interests, and with banking affairs in New York, and has had an active part in the organization and development of several of the largest contemporaneous industrial enterprises. In an article on The Benefits of Business Combination, published in the Saturday Evening Post, of Philadelphia, he had this to say concerning one of the underlying elements of success in industrial consolidations:

"Just so is there danger of ruin if the organization and management of industrial corporations are given into unskillful and inexperienced hands. One great danger lies in jeopardizing at the outset what is generally the most valuable asset of an industrial consolidation, namely, the good-will of the successful companies which are included in the consolidation. By years of business integrity each company brought into a combination has established relations of confidence with its customers, and the latter are usually very well satisfied with both the company's products and its methods. The danger comes when, upon the completion of the consolidation, some enthusiastic member of the newly formed executive committee, carried away by the theories of centralization and believing himself to be a Napoleon of industry, attempts to centralize the business too rapidly and too dictatorially, sweeping

out of existence stable and profitable properties, thereby injuring the general good-will and endangering the whole combination. In cases of this kind, however, the rare common-sense of the clear-headed and practical men who have built up individual industries comes into play and to the rescue. Experience has shown that the greatest care must be exercised in organizing new consolidations to retain the services of such men; they are the real captains of industry. In several industrial consolidations in the organization of which I have been recently associated I have urged at the beginning that the individuality and independence of the successful concerns shall be sustained, and that the standard of all shall be brought up to that of the best, and not to centralize business in such a way as to destroy the good-will. That way lies discord, and in discord lurks failure."

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